State of Florida
Division of Bond Finance

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Copies of the printed Official Statement may be obtained from:

Florida Division of Bond Finance
1801 Hermitage Boulevard
Suite 200
Tallahassee, Florida 32308

E-Mail: bond@sbafla.com
Phone: (850) 488-4782
Fax: (850) 413-1315

Refunding Issue Book-Entry Only
This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2016A Bonds. Selected information is presented on this cover page for the convenience of the reader. ***To make an informed decision, a prospective investor should read this Official Statement in its entirety.*** Unless otherwise indicated, capitalized terms have the meanings given in Appendix A.

$21,545,000
STATE OF FLORIDA
Board of Governors
University of South Florida Parking Facility Revenue Refunding Bonds
Series 2016A

Dated: Date of Delivery **Due: July 1, as shown on the inside front cover**

Bond Ratings	AA- Fitch Ratings Aa3 Moody's Investors Service AA- Standard & Poor's Ratings Services
Tax Status	In the opinion of Bond Counsel, interest on the 2016A Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2016A Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2016A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a description of other tax consequences to holders of the 2016A Bonds.
Redemption	The 2016A Bonds are not subject to optional redemption prior to maturity. The 2016A Bonds are subject to mandatory redemption as provided herein. See "REDEMPTION PROVISIONS" herein for more complete information.
Security	The 2016A Bonds will be secured by and payable from the Pledged Revenues. The Pledged Revenues consist of the Parking System Revenues after deducting the Administrative Expenses, the Current Expenses, and the Rebate Amount, if any. **The 2016A Bonds are not secured by the full faith and credit of the State of Florida or the University.**
Lien Priority	The lien of the 2016A Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with the Outstanding Bonds and any Additional Parity Bonds hereafter issued. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2016A Bonds is $22,400,000, excluding the Refunded Bonds.
Additional Bonds	Additional Parity Bonds payable on a parity with the 2016A Bonds and the Outstanding Bonds may be issued if the average Pledged Revenues for the two immediately preceding fiscal years, as adjusted, are at least 120% of the Maximum Annual Debt Service. This description of the requirements for the issuance of Additional Parity Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2016A BONDS - Additional Parity Bonds" herein for more complete information.
Purpose	Proceeds will be used to refund all or a portion of the outstanding State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A, and State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A, and to pay costs of issuance.
Interest Payment Dates	January 1 and July 1, commencing July 1, 2017.
Record Dates	December 15 and June 15.
Form/Denomination	The 2016A Bonds will initially be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of $1,000 and integral multiples thereof. Purchasers of the 2016A Bonds will not receive physical delivery of the 2016A Bonds. See "DESCRIPTION OF THE 2016A BONDS" herein.
Closing/Settlement	It is anticipated that the 2016A Bonds will be available for delivery through the facilities of DTC in New York, New York on January 12, 2017.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Bryant Miller Olive P.A., Tallahassee, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2016A Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

December 13, 2016

MATURITY STRUCTURE

Initial CUSIP[©]	Due Date	Principal Amount	Interest Rate*	Price or Yield
341580BF4	July 1, 2026*	$21,545,000	2.20%	@100

* Price and yield information provided by the underwriter.

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the State of Florida. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2016A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

STATE OFFICIALS

BOARD OF GOVERNORS

CHAIR
THOMAS G. KUNTZ

VICE CHAIR
NED C. LAUTENBACH

GOVERNING BOARD OF THE DIVISION OF BOND FINANCE

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RICK SCOTT
Chairman

ATTORNEY GENERAL
PAM BONDI
Secretary

CHIEF FINANCIAL OFFICER
JEFF ATWATER
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COMMISSIONER OF AGRICULTURE
ADAM H. PUTNAM

J. BEN WATKINS III
Director
Division of Bond Finance

ASHBEL C. WILLIAMS
Executive Director and CIO
State Board of Administration of Florida

BOND COUNSEL
Bryant Miller Olive P.A.
Tallahassee, Florida

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Relating to
$21,545,000
STATE OF FLORIDA
Board of Governors
University of South Florida
Parking Facility Revenue Refunding Bonds, Series 2016A

For definitions of capitalized terms not defined in the text hereof, see Appendix A.

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of $21,545,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A, dated the date of delivery (the "2016A Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

The proceeds of the 2016A Bonds will be used to refund all or a portion of the outstanding State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, the outstanding State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A, and the outstanding State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A, and to pay costs of issuance. See "THE REFUNDING PROGRAM" herein for more detailed information.

The 2016A Bonds will be secured by and payable from the Pledged Revenues. The Pledged Revenues consist of revenues of the Parking System, after payment of the Administrative Expenses, the Current Expenses, and the Rebate Amount, if any (the "Pledged Revenues"). See "SECURITY FOR THE 2016A BONDS" herein for more detailed information.

The lien of the 2016A Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with the Outstanding Bonds and any Additional Parity Bonds hereafter issued. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2016A Bonds is $22,400,000. See "SECURITY FOR THE 2016A BONDS" herein for more detailed information.

The 2016A Bonds are not a general obligation or indebtedness of the State of Florida or the University, and the full faith and credit of the State of Florida is not pledged to payment of the 2016A Bonds.

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
Fax: (850) 413-1315
E-mail: bond@sbafla.com
Mail: P. O. Box 13300
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2016A Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2016A BONDS

General Legal Authority

The 2016A Bonds are being issued by the Division of Bond Finance on behalf of the Board of Governors (the "Board"), pursuant to Article VII, Section 11(d) and Article IX, Section 7(d) of the Florida Constitution, the State Bond Act, Section 1010.62, Florida Statutes, and other applicable provisions of law. Article VII, Section 11(d), of the Florida Constitution provides that revenue bonds payable solely from funds derived directly from sources other than State tax revenues may be issued by the State of Florida or its agencies, without a vote of the electors, to finance or refinance capital projects. Section 215.59(2), Florida Statutes, authorizes the issuance of revenue bonds by the Division of Bond Finance pursuant to Article VII, Section 11(d), of the Florida Constitution. The Legislature has authorized the Division of Bond Finance to issue refunding bonds on behalf of any State agency in Section 215.79, Florida Statutes.

Division of Bond Finance

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the "Governing Board") is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General, as Secretary, the Chief Financial Officer, as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance may serve as an assistant secretary of the Governing Board.

State Board of Administration of Florida

The State Board of Administration of Florida (the "Board of Administration") was created under Article IV, Section 4 of the Florida Constitution, as revised in 1968 and subsequently amended, and succeeds to all the power, control and authority of the State Board of Administration established pursuant to Article IX, Section 16 of the Constitution of the State of Florida of 1885. It will continue as a body at least for the life of Article XII, Section 9 (c) of the Florida Constitution. The Board of Administration is composed of the Governor, as Chairman, the Attorney General and the Chief Financial Officer. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. The Board of Administration also acts as the fiscal agent of the Board of Governors in administering the Sinking Fund, the Rebate Fund, and the Reserve Account.

Board of Governors

The Board of Governors is established by Article IX, Section 7 of the Florida Constitution. It is authorized to operate, regulate, control and manage the University System. The responsibilities of the Board of Governors include defining the mission of each university, ensuring the coordination and operation of the University System and avoiding wasteful duplication of facilities or programs. Article IX, Section 7 provides that the Board of Governors shall establish the powers and duties of the university boards of trustees. See "University Board of Trustees" below. The Board of Governors' management of the University System is subject to the power of the legislature to appropriate funds.

The Board of Governors consists of seventeen members, fourteen of whom are appointed by the Governor to staggered seven-year terms as provided by law, subject to confirmation by the Florida Senate. The Commissioner of Education, the President of the Advisory Council of Faculty Senates, and the Chair of the Florida Student Association are *ex officio* members of the Board of Governors.

The following individuals have been appointed by the Governor to the Board of Governors:

Board Members	**Term Expires**
Thomas G. Kuntz, chair - businessman (Winter Park, FL)	January 6, 2019
Ned C. Lautenbach, vice chair - businessman (Naples, FL)	January 6, 2019
Richard A. Beard III - businessman (Tampa, FL)	January 6, 2017
Dean Colson - attorney (Coral Gables, FL)*	January 6, 2017*
Daniel Doyle, Jr. - businessman (Tampa Bay, FL)	January 6, 2017
Patricia Frost - educator (Miami Beach, FL)	January 6, 2017
H. Wayne Huizenga, Jr. - businessman (Delray Beach, FL)	January 6, 2020
Darlene Jordan - businesswoman (Palm Beach, FL)	January 6, 2019
Sydney Kitson - businessman (West Palm Beach, FL)	January 6, 2017
Alan Levine - businessman (Naples, FL)	January 6, 2020
Wendy Link - attorney (Palm Beach Gardens, FL)	January 6, 2020
Edward Morton - businessman (Naples, FL)	January 6, 2020
Norman D. Tripp - attorney (Fort Lauderdale, FL)	January 6, 2020
Fernando J. Valverde- businessman (Miami, FL)	January 6, 2019

*Mr. Colson has resigned from the Board effective January 1, 2017. At that time there will be a vacancy on the Board.

The following individuals are *ex officio* members of the Board of Governors:

Pam Stewart - Commissioner of Education (Tallahassee, FL)
Gary Tyson - Chair, Advisory Council of Faculty Senates (Jacksonville, FL)
Jacob Hebert - Chairman, Florida Student Association (Tallahassee, FL)

University Board of Trustees

Article IX, Section 7 of the State Constitution provides for an appointed board of trustees at each State University. Each board of trustees consists of thirteen members and administers the University. Six members of each board are appointed by the Governor and five members are appointed by the Board of Governors. The appointed members must be confirmed by the Senate. The chair of the faculty senate and the president of the student body are also members of each board. See Appendix F, "University of South Florida" for a list of the trustees of the University.

Administrative Approval

By a resolution adopted on March 23, 2006, the Board of Governors authorized and requested the Division of Bond Finance to proceed with the actions required for the issuance of the 2016A Bonds.

By a resolution adopted on July 26, 1994 (the "Original Resolution"), as amended by a resolution adopted on June 12, 2002 (the "First Supplemental Resolution"), as further amended and supplemented by a resolution adopted on August 10, 2004 (the "Second Supplemental Resolution"), and as supplemented by a resolution adopted on August 2, 2016 (the "Fifth Supplemental Resolution") the Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance, authorized the issuance and sale of not exceeding $25,000,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A. The Original Resolution, the First Supplemental Resolution, the Second Supplemental Resolution and the Fifth Supplemental Resolution of the Division of Bond Finance are reproduced as Appendices B, C, D and E to this Official Statement.

The Board of Administration approved the fiscal sufficiency of the 2016A Bonds, as required by the State Bond Act, on August 2, 2016.

DESCRIPTION OF THE 2016A BONDS

The 2016A Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2016A Bonds are payable from the Pledged Revenues as described herein. The 2016A Bonds will be dated the date of delivery thereof and will mature as set forth on the inside front cover. Interest is payable semiannually on July 1 and January 1 of each year, commencing July 1, 2017, until maturity or redemption.

The 2016A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2016A Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2016A Bonds. Individual purchases of the 2016A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2016A Bonds or any certificate representing their beneficial ownership interest in the 2016A Bonds. See Appendix L "Provisions for Book-Entry Only System or Registered Bonds" for a description of DTC, certain responsibilities of DTC, the Board and the Bond Registrar/Paying Agent, and the provisions for registration and registration of transfer of the 2016A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2016A Bonds are not subject to optional redemption prior to their stated date of maturity.

Mandatory Redemption

All of the 2016A Bonds comprise a Term Bond stated to mature on July 1, 2026 and are subject to mandatory redemption in part, by lot, on July 1, 2017, and on each July 1 thereafter to and including July 1, 2026, at the principal amount of the Term Bond to be redeemed, without premium, plus accrued interest, from Amortization Installments in the years and amounts as follows:

Year	Principal Amount	Year	Principal Amount
2017	$1,485,000	2022	$2,715,000
2018	$2,495,000	2023	$2,780,000
2019	$2,550,000	2024	$1,950,000
2020	$2,610,000	2025	$1,135,000
2021	$2,665,000	2026*	$1,160,000

*Final maturity.

Notice of Redemption

Notices of redemption of 2016A Bonds or portions thereof will be mailed by first class mail at least 30 days prior to the date of redemption to Registered Owners of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the serial numbers and the principal amount of the 2016A Bonds to be redeemed, if less than all, the date fixed for redemption, and the redemption price.

The Resolution provides for a further notice of redemption to be published in a financial journal or newspaper, and to be sent to registered securities depositories and to one or more national information services that disseminate notices of redemption of obligations such as the 2016A Bonds.

Failure to give any required notice of redemption as to any particular 2016A Bonds will not affect the validity of the call for redemption of any 2016A Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been given, whether or not the Registered Owner receives the notice.

Interest on the 2016A Bonds called for redemption will cease to accrue upon the redemption date.

THE REFUNDING PROGRAM

Proceeds of the 2016A Bonds, after payment of costs of issuance of the 2016A Bonds, together with other legally available moneys, will be used to refund all of the outstanding State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, maturing in the years 2017 through 2023, inclusive (the "Refunded 2002 Bonds"), the outstanding State of Florida, Florida Education System, University of South Florida Parking

Facility Revenue Bonds, Series 2004A, maturing in the years 2017 through 2024, inclusive (the "Refunded 2004A Bonds"), and the outstanding State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A, maturing in the years 2018 through 2026, inclusive (the "Refunded 2006A Bonds"), in the outstanding aggregate principal amount of $21,270,000 (the Refunded 2002 Bonds, the Refunded 2004A Bonds and the Refunded 2006A Bonds are collectively, referred to as the "Refunded Bonds"). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2016A Bonds, the Division of Bond Finance will cause to be deposited a portion of the proceeds of the 2016A Bonds, along with other legally available moneys, in an irrevocable escrow account (the "Escrow Deposit Trust Fund"), under an agreement (the "Escrow Deposit Agreement") entered into between the Division of Bond Finance and the Board of Administration (the "Escrow Agent"). The Escrow Agent will hold those moneys uninvested. The escrow will be funded in an amount which will be sufficient to meet the redemption requirements of the Refunded Bonds.

It is anticipated that the Refunded Bonds will be called for redemption (by separate redemption notice) immediately following the date of delivery at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date, plus the required redemption premium on the Refunded 2006A Bonds equal to one percent of the principal amount.

Sources and Uses of Funds

Sources of Funds:	
Par Amount of 2016A Bonds	$21,545,000
Total Sources	$21,545,000
Uses of Funds:	
Deposit of Refunding Proceeds	$21,395,611
Cost of Issuance	90,140
Underwriter's Discount	59,249
Total Uses	$21,545,000

SECURITY FOR THE 2016A BONDS

Pledge of Parking System Revenues

The 2016A Bonds and the interest thereon constitute obligations of the Board on behalf of the University, and are payable solely from and secured as to the payment of principal and interest, by a first lien on the Pledged Revenues on a parity with the Outstanding Bonds which will be Outstanding in the aggregate principal amount of $22,400,000, excluding the Refunded Bonds subsequent to the issuance of the 2016A Bonds. The Pledged Revenues are derived from a student transportation access fee and the operation of the Parking System. The Parking System consists of the University's existing parking facilities located in Tampa, Florida on the main campus of the University and such additional parking facilities as may be added to the Parking System at some future date, all as more fully described in "PARKING SYSTEM" herein. The Pledged Revenues are the Parking System Revenues remaining after deducting the Current Expenses, the Administrative Expenses and the Rebate Amount, if any. The Pledged Revenues and the related debt service coverage ratios are set forth in "PARKING SYSTEM - Historical Debt Service Coverage" and "PARKING SYSTEM - Projected Pledged Revenues and Debt Service Coverage."

The 2016A Bonds are "revenue bonds" within the meaning of Article VII, Section 11(d), of the Florida Constitution, and are payable solely from funds derived directly from sources other than State tax revenues. **The 2016A Bonds do not constitute a general obligation or indebtedness of the State of Florida or any of its agencies or political subdivisions and shall not be a debt of the State of Florida or of any agency or political subdivision thereof, the Board of Governors or the University, and the full faith and credit of the State is not pledged to the payment of the principal of, premium, if any, or interest on the 2016A Bonds. The issuance of the 2016A Bonds does not, directly or indirectly or contingently, obligate the State of Florida to use State funds, other than the Pledged Revenues, to levy or to pledge any form of taxation whatsoever or to make any appropriation for payment of the principal of, premium, if any, or interest on the 2016A Bonds.**

Reserve Account

There will not be a deposit to the Reserve Account for the 2016A Bonds. However, the Resolution creates the Reserve Account within the Sinking Fund, in an amount equal to the Reserve Requirement, which is to be used for payments of debt service on the Bonds when the amounts in the Sinking Fund are insufficient therefor. The Reserve Requirement may be satisfied by the deposit of Bond proceeds or a Reserve Account Credit Facility. Such account will also secure payment of future Additional Bonds. The Reserve Account is currently funded by a reserve account surety bond from Financial Security Assurance Inc. in the amount of $963,141.25, which will terminate on the earlier of July1, 2023 or the date the 2002 Bonds are no longer outstanding, a reserve account surety bond from MBIA Insurance Corporation in the amount of $920,821.25, which will terminate on July 1, 2024, and a reserve account surety bond from Financial Security Assurance Inc. in the amount of $1,302,355, which will terminate on July 1, 2026.

The Reserve Requirement for the 2016A Bonds has been determined to be zero. No deposit will be made to the Reserve Account from the proceeds of the 2016A Bonds. However, the 2016A Bonds will be secured by the existing surety bonds the terms of such bonds until such time as the surety bonds terminate or are otherwise cancelled.

See "MISCELLANEOUS - Bond Ratings" below for a discussion of potential and actual rating agency actions with respect to various insurance companies, including Financial Security Assurance Inc., and MBIA, which currently provide reserve account surety bonds for various series of Outstanding Bonds.

In the event funds on deposit in the Sinking Fund are not sufficient to pay the scheduled principal and/or interest next coming due on the Bonds, then on or before the Interest Payment Date and the Principal Payment Date such amounts as may be necessary to pay such maturing principal and/or interest on the Bonds will be transferred to the Sinking Fund from the Reserve Account. Each reserve account surety bond will be drawn upon in a proportion equal to its relative share of the amounts in the Reserve Account. Any withdrawals from the Reserve Account, including disbursements made under a Reserve Account Credit Facility, will be subsequently restored (or, in the case of a Reserve Account Credit Facility, the provider thereof will be reimbursed) from the first revenues available after all required Current Expenses, Administrative Expenses and current payments for the Sinking Fund, including any deficiencies for prior payments, have been made in full.

Flow of Funds

Collection of Pledged Revenues. Pledged Revenues are deposited into a trust fund (the "Revenue Fund") in the State Treasury to be administered in accordance with the Resolution and applicable laws. After providing for the payments required below, the University may use the Pledged Revenues for optional redemption or purchase of Bonds or any lawful purpose of the University.

Application of Revenues. All revenues on deposit in the Revenue Fund will be applied only in the following manner and order of priority:

(A) Payment of Current Expenses of the Parking System.

(B) Transfer to the Board of Administration of a sufficient amount of money no later than thirty days before an Interest Payment Date and/or a Principal Payment Date to be used as follows:

(1) for payment of Administrative Expenses;

(2) for deposit into the Sinking Fund an amount sufficient to pay the next installments of principal and interest to become due during the then current fiscal year, including Amortization Installments for any Term Bonds;

(3) for maintenance and establishment, if necessary, together with other moneys available for such purposes, of the Reserve Account in an amount equal to the Reserve Requirement, except to the extent a Reserve Account Credit Facility has been provided pursuant to the Resolution; and

(4) for deposit to the Rebate Fund, an amount of money sufficient to pay the Rebate Amount.

(C) Deposit into the Parking System Maintenance and Equipment Reserve Fund the amounts required by the Resolution to be deposited, as approved in the annual budget of the University.

(D) The balance not needed for (A), (B), and (C) above may be applied for optional redemption or purchase of Bonds or any lawful University purposes.

Any withdrawals from the Reserve Account, including disbursements made under a Reserve Account Credit Facility, will be subsequently restored (or, in the case of a Reserve Account Credit Facility, the provider thereof will be reimbursed) from the first revenues available after all required Current Expenses, Administrative Expenses and current payments for the Sinking Fund, including any deficiencies for prior payments, have been made in full.

Any unused portion of the Reserve Account may be used by the Board to reduce the final installments of the Annual Debt Service Requirement becoming due. If the funds on deposit in the Reserve Account exceed the Reserve Requirement with respect to the Series of Bonds secured thereby, such excess shall be used for the purposes and in the priority described above.

Covenants of the Board

The Board has additionally covenanted in the Resolution as follows:

(A) That it will punctually apply the Pledged Revenues in the manner and at the times provided in the Resolution and that it will duly and punctually perform and carry out all the covenants of the Board and the duties imposed upon the Board by the Resolution.

(B) That in preparing, approving and adopting any budget controlling or providing for the expenditures of its funds for each budget period it will allocate, allot and approve from the Parking System Revenues and other available funds the amounts sufficient to apply the Pledged Revenues as provided in the Resolution.

(C) That it will from time to time recommend, fix and include in its budgets such revisions to the rentals, fees and other charges which will produce Parking System Revenues sufficient to pay, when due, the amounts required under the Resolution.

(D) That it will continue to collect the Parking System Revenues at the rate which are in effect at any particular time.

Additional Bonds

The Resolution provides that Additional Parity Bonds, may be issued, but only upon the following terms, restrictions and conditions: (A) the proceeds from such Additional Parity Bonds will be used to acquire and construct capital additions or improvements to the Parking System or to refund Outstanding Bonds; (B) all previously authorized bonds will have been issued and delivered, or authority for the unused portion will have been canceled; (C) the Board must authorize the issuance of the Additional Parity Bonds; (D) the Board of Administration must approve the fiscal sufficiency of such Additional Parity Bonds; (E) certificates will be executed by the Board setting forth (1) the average amount of Pledged Revenues from the two fiscal years immediately preceding the issuance of the proposed Additional Parity Bonds, and (2) the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Parity Bonds then proposed to be issued; (F) the Board must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution and the Board must be currently in compliance with the covenants and provisions of the Resolution and any supplemental resolution thereafter adopted for the issuance of Additional Parity Bonds, unless upon the issuance of such Additional Parity Bonds the Board will be in compliance with all such covenants and provisions; and (G) the average amount of Pledged Revenues for the two immediately preceding fiscal years, as adjusted as provided for in the Resolution, will be at least equal to 120% of the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Parity Bonds then proposed to be issued.

The 2016A Bonds may be refunded in whole or in part as long as the Additional Parity Bond requirements are complied with, except that refunding bonds with a lower Annual Debt Service Requirement than the Bonds they are refunding do not have to comply with the coverage provisions of the preceding paragraph.

The Resolution provides that for purposes of the Additional Parity Bond test, Pledged Revenues may be adjusted to reflect rental rate increases, additions to existing parking facilities or the acquisition of additional parking facilities.

All of the above terms, conditions and restrictions having been complied with, the 2016A Bonds will be issued on a parity with the Outstanding Bonds.

THE PARKING SYSTEM
(Source: University of South Florida)

Introduction

The University of South Florida (the "University") was founded in 1956 and opened its doors to students in 1960. The University's headcount enrollment for the fall of 2016 was 49,591. During 2015-2016, the University awarded 280 associate's degrees, 9,349 bachelor's degrees and 3,195 master's degrees and conferred more than 323 doctorates and more than 389 Doctor of Medicine degrees. In addition to its 1,562-acre main campus in Tampa, Florida, the University has campuses in St. Petersburg and Sarasota/Manatee. Additional information regarding the University is provided in Appendix F.

The Parking System (which encompasses only the main Tampa Campus) is operated by the Department of Parking and Transportation Services (the "Department") within the Administrative Services Division. The Department is a self-supporting auxiliary operation responsible for all aspects of maintaining and administering the parking and transportation services on the University campus. Auxiliary operations do not receive any State financial appropriations. Policy recommendations for the parking and transportation program originate within the Department, and from members of the University community or the various committees and governance groups on campus. Final recommendations are presented to campus governance committees and open forums to build some level of consensus before going to the Chief Operating Officer and, if necessary, the President and Board of Trustees for approval.

All motor vehicles parked on the University's campuses must be registered with the Department, which is responsible for issuing vehicle identification decals. Vehicles must have a valid permit to park on campus. The Parking System currently serves a campus population of approximately 58,000 students, faculty and staff members at the University's main campus. There is also an indeterminable number of delivery, service and emergency vehicles requiring parking spaces each day. Additionally, there are more than 1,000,000 annual visitors that require parking spaces on the Tampa Campus. The parking needs of all these individuals are currently accommodated by 20,824 parking spaces. The University issued 48,539 parking decals during Fiscal Year 2015-16 for its Tampa Campus (not including daily visitor permits issued). A small number of parking decals are also issued for the Sarasota and St. Petersburg Campuses of the University; however, these campuses are not included in the Parking System. The Pledged Revenues securing the Bonds are comprised of the net revenues of the Parking System on the Tampa Campus only.

Staffing

The Department is comprised of a central administration/office staff, a garage and facilities maintenance section, parking enforcement and appeals, a revenue collection staff, and a transportation section. Total staffing is comprised of 111 people, consisting of 78 full-time employees and 33 part-time employees.

Parking Facilities

The Parking System is currently comprised of 20,824 vehicle spaces on the Tampa Campus. Of those spaces, 5,904 are located in four parking garage facilities, with the remaining 14,920 spaces located on surface lots.

Capital Improvement Plan

Every five years, the update of the University master plan includes a review of current and forecasted parking needs. Additionally, the Department staff continuously monitors the growing demand for parking. When the Department recognizes that demand for on-campus parking exists beyond the University's capacity, the situation is discussed with appropriate University administrative staff. The discussions include the extent of the demand, an assessment of the long-term nature of the demand, the fit with the master plan, the availability of any off-campus parking along with the availability and frequency of area public transportation services, the future growth of the University, and the financial ramifications of constructing additional parking facilities. After these discussions take place, if the decision is made to provide additional parking, a program is developed and appropriate approval and funding are sought.

The plan for the provision of increased parking at the University is to construct an additional parking garage consisting of approximately 2,000 spaces on an existing surface parking lot. The University does not expect to construct the additional garage within the next two years. The cost is estimated at $25 million. This project will primarily be funded from the issuance of revenue bonds.

In Fiscal Year 1997-1998, the Department made its first deposit into the Parking System Maintenance and Equipment Reserve Fund established by the Original Resolution to be used by the Board of Education or the University to pay the cost of unusual or extraordinary maintenance, repairs, renewals, replacements and renovations not paid as part of the ordinary and normal expense of the operation and maintenance of the Parking System. The amount required to be deposited by the University into this fund is determined annually as part of the development of the annual budget of the University. The University anticipates depositing approximately 2-3% of annual pledged revenues into this account each year. The current balance in this fund is $2,701,680.

Insurance on Facilities

All University facilities, and the contents thereof, are insured under the State Risk Management Trust Fund as required by Chapter 284, Florida Statutes.

Parking System Revenues

The revenues of the University's Parking System in Tampa, Florida, are derived from four primary sources: a mandatory student transportation access fee (which went into effect in the fall of 2002), decal and permit sales, citations and collections from metered spaces. The student transportation access fee is assessed on all students enrolled at the Tampa Campus of the University in the amount of $3.00 per credit hour and is paid as a part of registration for classes. The fee was approved by a committee that included student participation, as required by Rule 6C-7.003, Florida Administrative Code, of the Florida Board of Education. The transportation access fee was then adopted by rule.

Students, faculty and staff desiring to park their vehicles on campus are required to purchase a parking decal. The charges to students for decal sales are in addition to the assessment of the transportation access fee. The current rate schedule, adopted by rule, is outlined under "Rates and Charges" immediately below. Visitors to the campus must also pay to park using either metered spaces or by obtaining a daily visitor parking permit. Daily visitor parking permits are currently $5 per day.

Rates and Charges

The University has direct control over the parking fees that are charged. Parking decal rates can be adjusted annually to provide the necessary funds to pay the costs of operation and maintenance of the Parking System and provide funds to meet any debt service obligations. The following table sets forth the parking rates for various types of parking decals and the number of decals for Fiscal Years 2011-2012 through 2015-2016.

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Number of Parking Decals Issued and Parking Decal Costs by Type[1] and Student Transportation Access Fees

Parking Decal Types	2012	2013	2014	2015	2016 [2]
	Fiscal Years Ended June 30				
Student Annual					
Number Issued	15,689	15,245	14,738	14,102	14,522
Cost	$174	$174	$183	$183	$183
Student Semester					
Number Issued	15,745	18,583	16,149	16,647	17,153
Cost	$87	$87	$91	$91	$91
Resident Student Annual					
Number Issued	1,766	1,720	1,556	1,567	1,725
Cost	$215	$215	$226	$226	$226
Resident Student Semester					
Number Issued	1,983	2,204	2,484	2,854	2,905
Cost	$108	$108	$113	$113	$113
Staff Annual					
Number Issued	4,182	4,476	4,596	4,656	4,965
Cost	$257	$257	$270	$270	$270
Staff Semester					
Number Issued	763	885	950	1,073	1,157
Cost	$129	$129	$135	$135	$135
Staff Gold Annual[3]					
Number Issued	1,223	1,180	1,178	1,192	1,235
Cost	$429	$429	$450	$450	$450
Moffitt Affiliate Annual					
Number Issued	1,310	1,065	1,200	1,000	1,000
Cost	$290	$290	$305	$305	$305
Moffitt Affiliate Annual Gold					
Number Issued	281	232	300	300	300
Cost	$470	$470	$494	$494	$494
Vendor Annual					
Number Issued	169	156	153	117	200
Cost	$339	$339	$356	$356	$356
Reserved					
Number Issued	1,303	936	1,140	1,105	1,170
Cost	$1,025	$1,025	$1,076	$1,076	$1,076
Park-n-Ride					
Number Issued	2,152	2,087	2,048	2,016	1,812
Cost	$59	$59	$59	$59	$59
Motorcycle					
Number Issued	513	510	407	350	283
Cost	$59	$59	$62	$62	$62
Alumni Annual					
Number Issued	44	41	44	48	42
Cost	$84	$84	$88	$88	$88
Friends of USF Annual					
Number Issued	51	47	35	37	48
Cost	$276	$276	$290	$290	$290
Friends of USF Semester					
Number Issued	41	48	29	33	22
Cost	$138	$138	$145	$145	$145
Total Number of Decals Issued	**47,215**	**49,415**	**47,007**	**47,097**	**48,539**
Student Transportation Access Fee					
Per Credit Hour Fee	$3.00	$3.00	$3.00	$3.00	$3.00
Student Credit Hours	1,002,771	1,007,567	1,026,919	1,043,478	1,062,278

1 The number of parking decals issued include decals that were issued as replacements at no charge or which were prorated throughout the year. State sales tax is added in addition to price listed.

2 Preliminary.

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

The following table shows the projected number of parking decals to be issued, parking decal prices and student transportation access fees. The University anticipates decal rate increases of 3% per year beginning in Fiscal Year 2017-2018. The decal rates provided for Fiscal Years 2016-2017 have been approved. Decal rates for Fiscal Years 2017-2018 through 2020-2021 are subject to approval. Projections are statements of opinion and are subject to future events that may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on the following projections.

Projected Number of Parking Decals To Be Issued
Parking Decal Costs by Type and Student Transportation Access Fees

	Fiscal Years Ending June 30[1]				
Parking Decal Type	**2017[2]**	**2018[3]**	**2019[3]**	**2020[3]**	**2021[3]**
Student Annual					
Projected Number Issued	14,500	14,500	14,500	14,500	14,500
Cost	$183	$188	$194	$200	$206
Student Semester					
Projected Number Issued	16,500	16,500	16,500	16,500	16,500
Cost	$91	$94	$97	$99	$102
Resident Student Annual					
Projected Number Issued	1,600	1,600	1,600	1,600	1,600
Cost	$226	$233	$240	$247	$254
Resident Student Semester					
Projected Number Issued	2,900	2,900	2,900	2,900	2,900
Cost	$113	$116	$120	$123	$127
Staff Annual					
Projected Number Issued	4,800	4,800	4,800	4,800	4,800
Cost	$270	$278	$286	$295	$304
Staff Semester					
Projected Number Issued	1,150	1,150	1,150	1,150	1,150
Cost	$135	$139	$143	$148	$152
Staff Gold Annual					
Projected Number Issued	1,200	1,200	1,200	1,200	1,200
Cost	$450	$464	$477	$492	$506
Moffitt Affiliate Annual					
Projected Number Issued	1,000	1,000	1,000	1,000	1,000
Cost	$305	$314	$324	$333	$343
Moffitt Affiliate Annual Gold					
Projected Number Issued	300	300	300	300	300
Cost	$494	$509	$524	$540	$556
Vendor Annual					
Projected Number Issued	150	150	150	150	150
Cost	$356	$367	$378	$389	$401
Reserved					
Projected Number Issued	1,150	1,150	1,150	1,150	1,150
Cost	$1,076	$1,108	$1,142	$1,176	$1,211
Park-n-Ride					
Projected Number Issued	2,000	2,000	2,000	2,000	2,000
Cost	$59	$61	$63	$64	$66
Motorcycle					
Projected Number Issued	300	300	300	300	300
Cost	$62	$64	$66	$68	$70
Alumni Annual					
Projected Number Issued	45	45	45	45	45
Cost	$88	$91	$93	$96	$99
Friends of USF Annual					
Projected Number Issued	50	50	50	50	50
Cost	$290	$299	$308	$317	$326
Friends of USF Semester					
Projected Number Issued	25	25	25	25	25
Cost	$145	$149	$154	$158	$163
Total Number of Decals to be Issued	**47,670**	**47,670**	**47,670**	**47,670**	**47,670**
Student Transportation Access Fee					
Per Credit Hour Fee	**$3.00**	**$3.00**	**$3.00**	**$3.00**	**$3.00**
Projected Student Credit Hours	**1,078,212**	**1,094,385**	**1,110,801**	**1,127,463**	**1,144,375**

1 The number of parking decals issued includes projected replacement decals which will be issued at no charge.

2 Decal rates shown for this year have been approved.

3 Decal rates shown for these years are subject to approval.

Collection and Enforcement

The University collects fees for parking decals on a continuous basis during the academic year; however, the majority of the revenues from decal sales is collected during the month of August and corresponds to amounts paid by University employees and students for their annual parking decals. Student and staff decals can be purchased on a semester or annual basis. All other decals are sold on an annual basis. The majority of Parking System Revenue is derived from students.

In addition to the parking decals, a student transportation access fee is assessed on each student enrolling for class and collected as part of the tuition payment/registration process at the beginning of each term. Peak times for the collection of this fee are August at the beginning of the fall term, January at the beginning of the spring term, and May and July for the two summer terms.

Parking fines are levied on any vehicle parked on campus that violates the campus parking rules and regulations. The University requires full payment of such fines unless an appeal is made within fourteen days of the date of issuance of the citation. If a parking citation is not appealed within fourteen days from the date of issuance, the person is automatically adjudicated guilty and a $15 delinquent fee is added to the outstanding parking fine. The Department then invoices the person for the citation payment. If the charges are not settled, further class registration will be suspended and the student's records will not be released. Vehicles may be immobilized and/or impounded for unpaid citations. After immobilization/impoundment, these vehicles are held until all previously incurred fines are paid in full. Any unpaid fines are classified as a debt to the University and diplomas and transcripts of the student incurring the fine are withheld until all fines have been paid. Unpaid fines of faculty and staff members can be deducted from their paychecks. Over the past five years, the collection rate for all parking fines has averaged 84% of the fines assessed.

Budgetary Information

The budgetary process for the Parking System is implemented by the University and follows the guidelines issued by the Budgets and Reporting Office. These guidelines provide a standardized format setting forth prior fiscal year information by budget categories for all University departments. Based on a thorough review of the current fiscal year's operation, revisions are made, if necessary, to the projected Parking System budget which is prepared as a part of the decal price/transportation access fee increase proposal. Various expenditure projections may be modified as updated information becomes available; however, revenue projections remain based on the approved decal price and transportation access fee.

A comparison of the budgeted to actual operating performance of the Parking System for the past five years is provided in the following two tables. This information has been prepared by the University for internal management purposes only and has not been audited.

The operation of the Parking System usually results in a greater amount of revenues than budgeted. Citation revenue is the most volatile category of revenues of the Parking System and can vary significantly from year to year. The University's goal for enforcement of rules is compliance, not raising additional revenues; consequently, the University typically budgets ten to twenty percent less citation revenue than was collected in the previous year.

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Comparison of Budget to Actual
for Fiscal Years Ended June 30, 2012 through 2016
Accrual Basis[1] (Unaudited)
In Thousands

	Fiscal Year 2011-12			Fiscal Year 2012-13			Fiscal Year 2013-14			Fiscal Year 2014-15			Fiscal Year 2015-16[2]		
	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference
Revenues															
Decal Sales	$10,357	$8,320	($2,037)	$10,081	$7,810	$(2,271)	$10,695	$8,423	$(2,272)	$10,466	$8,454	$(2,012)	$10,420	$8,635	($1,785)
Transportation Access Fees	2,966	3,008	42	3,154	3,023	(131)	2,962	3,081	119	3,005	3,131	126	3,065	3,187	122
Meter Collections	-	61	61	-	66	66	-	90	90	-	58	58	-	81	81
Citation Collections	-	969	969	-	900	900	-	774	774	-	844	844	-	796	796
Vending Permit Collections	-	959	959	-	1,115	1,115	-	1,133	1,133	-	1,106	1,106	-	1,153	1,153
Due from Component Unit	-	-	-	-	-	-	-	-	-	-	1	1	-	(1)	(1)
Transportation Collections	-	224	224	-	154	154	-	178	178	-	209	209	-	196	196
Total Revenues	$13,323	$13,541	$218	$13,235	$13,068	$(167)	$13,657	$13,679	$22	$13,471	$13,803	$332	$13,485	$14,047	$562
Operating Expenses															
Total Payroll	$4,246	$4,113	$(133)	$4,084	$3,868	$(216)	$3,863	$3,934	$71	$4,277	$4,123	$(154)	$4,269	$4,095	($174)
Regular Expenses	4,350	4,944	594	6,190	4,901	(1,289)	5,466	4,642	(824)	4,707	4,651	(56)	4,832	4,827	(5)
Total Operating Expenses	$8,596	$9,057	$461	$10,274	$8,769	$(1,505)	$9,329	$8,576	$(753)	$8,984	$8,774	$(210)	9,101	8,922	(179)
Net Operating Income/(Loss)	$4,727	$4,484	$(243)	$2,961	$4,299	$1,338	$4,328	$5,103	$775	$4,487	$5,029	$542	4,384	5,125	741
Other Income/(Expenses):															
Capital Outlay[1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense / Gain (Loss) on Disposal	$(2,103)	$(2,103)	-	$(1,696)	$(1,696)	-	$(1,707)	$(1,707)	-	$(1,997)	$(1,997)	-	(1,597)	(1,597)	-
Interest Income	33	9	(24)	56	119	63	60	104	44	67	102	35	64	103	39
Interest Expense	(1,430)	(1,442)	(12)	(1,354)	(1,366)	(12)	(1,272)	(1,285)	(13)	(1,179)	(1,291)	(112)	(1,077)	(1,077)	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	(21)	(21)	-	(21)	(21)	-	(21)	(21)	-	(242)	(242)	-	-	-
Total Other Income	$(3,500)	$(3,557)	$(57)	$(2,994)	$(2,964)	$30	$(2,919)	$(2,909)	$(10)	$(3,109)	$(3,428)	$(319)	(2,610)	(2,571)	39
Net Revenue (Loss)	$1,227	$927	$(300)	$(33)	$1,335	$1,368	$1,409	$2,194	$785	$1,378	$1,601	$223	$1,774	$2,554	$780

[1] The University has an accrual based system. Expenses for capital outlay are capitalized on the balance sheet and corresponding depreciation expense is reflected in this schedule.

[2] Preliminary, unaudited.

Selected Historical Financial Information

The following tables set forth selected historical financial information for the University Parking System for the five Fiscal Years ended June 30, 2016. The financial information for the Parking System was prepared by the University for internal management purposes as an integral part of the University's financial statements and was not independently audited. The activities of the Parking System are included in the University's Financial Statements. University Financial Statements for the Fiscal Year ended June 30, 2015 are reproduced as Appendix G. Draft University Financial Statements and Parking System Financial Statements for the Fiscal Year ended June 30, 2016 are reproduced as Appendices H and I, respectively. Generally, financial information relating to the Parking System is included in the University's financial statements which are independently audited by the State Auditor General's office.

The following information was prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Additionally, these statements incorporate requirements for state and local governments established by the Governmental Accounting Standard Board of the Financial Accounting Foundation with the adoption of Statement No. 34 and 35.

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University Parking System
Historical Summary
Statement of Net Assets (Unaudited)

	At June 30				
Assets	**2012**	**2013**	**2014**	**2015**	**2016***
Current assets:					
Cash and cash equivalents	$1,557,247	$1,638,632	$1,796,258	$1,910,878	$2,156,285
Investments	7,750,864	8,155,942	8,940,490	9,510,985	10,732,445
Accounts receivable, net	267,682	259,134	262,982	268,291	240,817
Deferred Assets and other charges	282,533	262,085	241,637	302,980	-
Due from other fund	-	-	-	1,153	765
Total current assets	$9,858,326	$10,315,793	$11,241,367	$11,691,306	$13,130,312
Noncurrent assets:					
Restricted cash and cash equivalents	$1,362,390	$1,446,002	$1,502,347	$1,570,898	$1,658,927
Restricted Investments	6,781,007	7,197,166	7,477,609	7,818,811	8,256,956
Capital assets, net of accumulated dep.	44,656,321	43,030,488	41,650,051	40,199,015	38,796,699
Total noncurrent assets	$52,799,718	$51,673,656	$50,630,007	$49,588,724	$48,712,582
Total assets	$62,658,044	$61,989,449	$61,871,374	$61,280,031	$61,842,894
Deferred Outflows of Resources:					
Deferred Outflows of Pension Resources	-	-	-	280,566	361,525
Total Assets and Deferred Outflow of Resources	$62,658,044	$61,989,449	$61,871,374	$61,560,597	$62,204,419
Liabilities					
Current liabilities:					
Accounts payable	$48,841	$204,328	$76,768	$92,021	$496,496
Accrued liabilities	-	-	-	-	13,609
Bonds payable, current portion	2,205,000	2,285,000	2,380,000	2,485,000	2,225,000
Total current liabilities	$2,253,841	$2,489,328	$2,456,768	$2,577,021	$2,735,105
Noncurrent liabilities:					
Bonds payable	$29,119,556	$26,847,117	$24,479,679	$22,106,557	$19,844,187
Post Employment Health Care Benefits Payable	233,970	306,078	381,430	471,492	588,556
Pension Liability	-	-	-	543,814	831,343
Compensated absences payable	232,805	193,602	205,772	218,332	227,621
Total noncurrent liabilities	$29,586,331	$27,346,797	$25,066,881	$23,340,194	$21,531,707
Total liabilities	$31,840,172	$29,836,125	$27,523,649	$25,917,216	$21,266,812
Deferred Inflows of Resources:					
Deferred Inflows of Pension Resources	-	-	-	387,706	128,195
Total Liabilities and Deferred Inflow of Resources	$31,840,172	$29,836,125	$27,523,649	$26,304,922	$24,395,007
Net Position					
Invested in capital assets, net of related debt	$13,614,298	$14,160,455	$15,032,009	$15,607,458	$16,687,513
Restricted for capital projects	6,120,501	6,450,473	6,613,801	6,835,075	6,911,572
Restricted for debt service	1,931,480	1,745,324	1,343,969	861,996	637,955
Restricted for renewal and replacement	2,014,068	2,183,821	2,355,955	2,535,139	2,701,680
Unrestricted	7,137,525	7,613,251	9,001,991	9,416,007	10,870,692
Total net position	$30,817,872	$32,153,324	$34,347,725	$35,255,675	$37,809,412
Total liabilities and net position	$62,658,044	$61,989,449	$61,871,374	$61,560,597	$62,204,419

*Preliminary, unaudited.

University Parking System
Historical Summary
Statement of Revenues, Expenses and Changes in Net Assets [1]
(Unaudited)

	Fiscal Years Ended June 30				
	2012	2013	2014	2015	2016 [2]
Revenues					
Operating revenue	$13,540,936	$13,068,141	$13,678,761	$13,802,462	$14,048,020
Other revenue	-	-	-	1,153	(765)
Total operating revenues	$13,540,936	$13,068,141	$13,678,761	$13,803,614	$14,047,255
Expenses					
Operating Expenses:					
Salaries and related benefits	$4,112,827	$3,868,332	$3,933,715	$4,122,751	$4,095,193
Expenses	3,830,962	3,930,985	3,694,036	3,818,812	4,053,002
Overhead Expense [3]	1,113,261	969,609	948,517	832,379	773,881
Depreciation	1,593,496	1,571,516	1,547,729	1,781,002	1,556,973
Total operating expenses	$10,650,546	$10,340,441	$10,123,997	$10,554,944	$10,479,050
Operating Income	$2,890,390	$2,727,699	$3,554,765	$3,248,671	$3,568,205
Nonoperating Revenues (Expenses)					
Interest income	$8,640	$119,354	$103,824	$101,641	$103,138
Interest expense	(1,441,897)	(1,366,297)	(1,284,847)	(1,291,257)	(1,077,459)
Other nonoperating expense	(20,448)	(20,448)	(20,448)	(241,637)	-
Loss on disposal of equipment	(509,873)	(124,855)	(158,893)	(215,612)	(40,147)
Total nonoperating revenues (expenses)	($1,963,578)	($1,392,246)	($1,360,364)	($1,646,865)	($1,014,468)
Income before transfers	$926,812	$1,335,453	$2,194,401	$1,608,806	$2,553,737
Transfers from other University Funds	-	-	-	-	-
Transfers to other University Funds	-	-	-	-	-
Change in Net Position	$926,812	$1,335,453	$2,194,401	$1,608,806	$2,553,737
Total Net Position, beginning of year	$29,891,059	$30,817,871	$32,153,324	$34,347,725	$35,255,675
Adjustments to Beginning Net Position	-	-	-	(693,856)	-
Total Net Position, end of year	$30,817,871	$32,153,324	$34,347,725	$35,255,675	$37,809,412

1 Numbers may not add due to rounding.
2 Preliminary, unaudited.
3 University administrative overhead charges are excluded from Current Expenses for purposes of calculating Pledged Revenues.

Summary of Historical Financial Condition and Results of Operations

Prior to the implementation of the student transportation access fee in the fall of 2002, the operation of the Department was dependent on revenues collected from decal fees, citation collections, meter revenues, and other miscellaneous revenues. Net revenues of the Parking System after providing for the payment of operating expenses are pledged to satisfy the debt service obligations on the Outstanding Bonds. See “SECURITY FOR THE 2016A BONDS” herein. Operating expenses primarily include costs associated with salaries, telecommunications, utilities, daily maintenance functions, supplies, and general maintenance and upkeep of Parking System facilities. Other non-operating expenses include those necessary for capital improvements to the facilities.

As shown above in the historical summary of balance sheet data, positive operating results for the Parking System have allowed the Department to incur capital expenses while maintaining a healthy fund balance. The Department is very solvent; at June 30, 2016 total assets and deferred outflows of resources of $62.2 million exceeded total liabilities and deferred inflows resources of $24.4 million by $37.8 million, of which $10.9 million represents unrestricted net assets.

Additionally, as of June 30, 2015, $6.8 million net assets restricted for capital projects has been reserved by the Department to be used as a cash contribution for future Parking System facility and other needs. The growing reserves ensure that there will be funds for additional construction and debt service, as well as replacement and repairs of existing structures and equipment.

As shown above in the historical summary of revenues, expenses and changes in net assets, annual revenues received from the operation of the Parking System have increased over the five year period from Fiscal Year 2011-2012 through Fiscal Year 2014-2015. Annual increases in revenues from decal sales generally resulted from both increases in rates and enrollment growth. Additionally, annual increases in revenues from meter, citation, vending permit and transportation collections were realized over this period. The large increase in operating revenue from Fiscal Year 2012-2013 to Fiscal Year 2013-2014 was primarily attributable to an increase in decal rates. The decrease in operating revenue for Fiscal Year 2012-2013 was due to a reduction in the number of reserved permits purchased by Moffitt Cancer Center due to the completion of their parking facility. This decrease in operating revenue was offset by an increase in decal rates in the following year.

Growth in annual operating expenses from Fiscal Years 2011-2012 to 2015-2016 generally resulted from the normal inflation of operating costs.

Historical Debt Service Coverage

The following table shows historical operating results and debt service coverage ratios.

Historical Debt Service Coverage from Pledged Revenues

	Fiscal Years Ending June 30,				
	2012	2013	2014	2015	2016 [1]
Pledged Revenues					
Operating Revenues	$13,540,937	$13,068,141	$13,678,761	$13,803,614	$14,047,255
Less Operating Expenses[2]	(7,943,789)	(7,799,318)	(7,627,751)	(7,941,563)	(8,148,196)
Plus Interest Earnings	8,640	119,354	103,824	101,641	103,138
Total Pledged Revenues	$5,605,788	$5,388,177	$6,154,834	$5,963,692	$6,002,197
Debt Service on the Outstanding Bonds	$3,559,335	$3,558,735	$3,557,285	$3,559,379	$3,559,829
Pledged Revenues After Debt Service and Available for Other Expenses	$2,046,453	$1,829,442	$2,597,549	$2,404,313	$2,442,368
Maximum Annual Debt Service	$3,559,829	$3,559,829	$3,559,829	$3,559,829	$3,559,829
Debt Service Coverage Ratios					
Annual Debt Service	1.57x	1.51x	1.73x	1.68x	1.69x
Maximum Annual Debt Service	1.57x	1.51x	1.73x	1.68x	1.69x

1 Preliminary, unaudited.

2 Excludes University administrative overhead charges of $1,113,261 in 2011-2012, $969,609 in 2012-2013 and $948,517 in 2013-2014 and $832,379 in 2014-2015, and $773,881 in 2015-16. Also excludes depreciation expense.

Projected Pledged Revenues and Debt Service Coverage

Projected operating results and debt service coverage ratios for the next five fiscal years are provided in the following table. **The projections of future operating results have been prepared by the University based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events that may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

The following projections were developed by the University for internal management purposes only. The University has generally based projected revenues on the assumption that student demand for decals will remain stable through Fiscal Year 2020-2021. Additionally, it has been assumed that beginning in Fiscal Year 2017-2018, decal rates will be increased by 3% per year. Student credit hours are anticipated to increase by 1.5% each year, resulting in anticipated increases in transportation access fee revenues. All other projected revenues are based on results from for Fiscal Year 2015-2016 and a 3% growth rate thereafter.

Operating expenses for the Parking System during the projection period are based upon the University's experience in operating the existing parking facilities and transportation services. The University has projected that operating expenses will increase by 3% annually.

Debt Service Coverage from Projected Pledged Revenues

	Fiscal Years Ending June 30,				
	2017	**2018**	**2019**	**2020**	**2021**
Pledged Revenues					
Operating Revenues[1]					
Decal Sales	$8,434,343	$8,687,316	$8,947,878	$9,216,257	$9,492,687
Transportation Access Fees	3,234,637	3,283,156	3,332,403	3,382,389	3,433,125
Meter Collections	80,000	82,400	84,872	87,418	90,041
Citation Collections	800,000	824,000	848,720	874,182	900,407
Vending Permit Collections	1,150,000	1,184,500	1,220,035	1,256,636	1,294,335
Transportation Collections	200,000	206,000	212,180	218,545	225,102
Total Operating Revenues	$13,898,980	$14,267,372	$14,646,088	$15,035,427	$15,435,697
Less Operating Expenses[2]	(8,500,000)	(8,755,000)	(9,017,650)	(9,288,180)	(9,566,825)
Plus Interest Earnings	100,000	103,000	106,090	109,273	112,551
Total Pledged Revenues	$5,498,980	$5,615,372	$5,734,528	$5,856,520	$5,981,423
Annual Debt Service					
Outstanding Bonds	$1,349,905	-	-	-	-
2016A Bonds	1,707,560	$2,936,320	$2,936,430	$2,940,330	$2,937,910
Total Annual Debt Service	$3,057,465	$2,936,320	$2,936,430	$2,940,330	$2,937,910
Revenues Available for Other Expenses	$2,441,515	$2,679,052	$2,798,098	$2,916,190	$3,043,513
Maximum Annual Debt Service	$3,057,465	$2,940,330	$2,940,330	$2,940,330	$2,937,910
Debt Service Coverage Ratios					
Annual Debt Service	1.80x	1.91x	1.95x	1.99x	2.04x
Maximum Annual Debt Service	1.80x	1.91x	1.95x	1.99x	2.04x

[1] Projections of revenues and expenses have been provided by the University based upon the assumptions discussed above.
[2] Operating Expenses amount does not include University administrative charges and depreciation.

SCHEDULE OF DEBT SERVICE

The table below shows the debt service on the Bonds which will be Outstanding subsequent to the refunding accomplished with the proceeds of the 2016A Bonds, the debt service on the 2016A Bonds, and the total debt service.

Fiscal Year Ending June 30	Outstanding Bonds[1]	2016A Bonds Debt Service Principal	Interest	Total	Total Debt Service[1]
2017	$1,349,905	$1,485,000	$222,560	$1,707,560	$3,057,465
2018	-	2,495,000	441,320	2,936,320	2,936,320
2019	-	2,550,000	386,430	2,936,430	2,936,430
2020	-	2,610,000	330,330	2,940,330	2,940,330
2021	-	2,665,000	272,910	2,937,910	2,937,910
2022	-	2,715,000	214,280	2,929,280	2,929,280
2023	-	2,780,000	154,550	2,934,550	2,934,550
2024	-	1,950,000	93,390	2,043,390	2,043,390
2025	-	1,135,000	50,490	1,185,490	1,185,490
2026	-	1,160,000	25,520	1,185,520	1,185,520
Total	$1,349,905	$21,545,000	$2,191,780	$23,736,780	$25,086,685

Note: Totals may not add due to rounding.

[1] Excludes the Refunded Bonds.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

The State Bond Act provides that all bonds issued by the Division of Bond Finance are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

Negotiability

The 2016A Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code- Investment Securities Law of the State.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2016A Bonds in order that interest on the 2016A Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the 2016A Bonds to be included in federal gross income retroactive to the date of issuance of the 2016A Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2016A Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Board, the Division of Bond Finance and the Board of Administration have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the 2016A Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the 2016A Bonds is excluded from gross income of the holders thereof for purposes of federal income taxation. Interest on the 2016A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, however, interest on the 2016A Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2016A Bonds 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.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of 2016A Bonds. Prospective purchasers of 2016A Bonds should be aware that the ownership of 2016A Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2016A Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2016A Bonds, (iii) the inclusion of interest on the 2016A Bonds in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on 2016A Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2016A Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for federal income tax purposes.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the 2016A Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2016A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2016A Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the 2016A Bonds and proceeds from the sale of 2016A Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2016A Bonds. This withholding generally applies if the owner of 2016A Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2016A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Purchase, ownership or sale or disposition of the 2016A Bonds and the receipt of the interest thereon may have adverse federal tax consequences for certain individual and corporate bondholders. Prospective 2016A Bondholders should consult their tax specialists for information in that regard.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2016A Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2016A Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2016A Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the 2016A Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been made and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2016A Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of the 2016A Bonds.

State Taxes

The 2016A Bonds and the income therefrom are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, 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.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2016A Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2016A Bonds for estate tax purposes.

The 2016A Bonds and the income therefrom are subject to the tax imposed by Chapter 220 on interest, income, or profits on debt obligations owned by corporations and other specified entities.

MISCELLANEOUS

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2016A Bond proceeds (net of issuance costs) will be deposited as described above under the heading "THE REFUNDING PROGRAM".

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

Investment by the Chief Financial Officer **-** Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2016, the ratio was approximately 49% internally managed funds, 42% externally managed funds, 4% Certificates of Deposit and 5% in an externally managed Security Lending program. The total portfolio market value on June 30, 2016, was $25,654,099,528.79.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2016, $17.158 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, $6.873 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

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

To this end, a portion of Treasury's investments are managed for short term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short term liquidity and preservation of principal are managed "internally" by Treasury personnel. The majority of investments managed for a maximum return are managed by "external" investment managers not employed by the State.

The Externally Managed Investment Program provides long term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium term and long term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, and U.S.

dollar denominated investment grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, and interest rate futures.

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

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2016, the Board of Administration directed the investment/administration of 30 funds in 530 portfolios.

As of June 30, 2016 the total market value of the FRS (Defined Benefit) Trust Fund was $141,420,636,601.12. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 29 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2016, the total market value of these funds equaled $35,121,146,461.32. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

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

Bond Ratings

Moody's Investors Service, Standard & Poor's Ratings Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of Aa3, AA- and AA-, respectively, to the 2016A Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The University furnished to such Rating Agencies certain information and material in respect to the University, the Parking System, and the 2016A Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2016A Bonds.

Certain companies provide either bond insurance or reserve account surety bonds on various series of Outstanding Bonds. The Rating Agencies have evaluated (and are continuing to evaluate) the effects of the downturn in the market for certain structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of financial guarantors. The results of these evaluations have included and may include additional ratings affirmations, changes in rating outlook, reviews for downgrade, and downgrades. To date, the Rating Agencies have downgraded the following companies as indicated: Assured Guaranty Corp. (Assured) - S&P/AA, Moody's/A3; Assured Guaranty Municipal Corp. (AG Muni - formerly, Financial Security Assurance Inc.) - S&P/AA,

Moody's/A2; and MBIA Insurance Corporation - S&P/CCC, Moody's/Caa1. Assured has a stable outlook by S&P and Moody's. AG Muni has a stable outlook by both Moody's and S&P. MBIA has a negative outlook by both S&P and Moody's. Fitch has withdrawn its ratings for Ambac Assurance Corporation (Ambac), Financial Guaranty Insurance Company (FGIC), MBIA, Syncora Guarantee Inc. (Syncora), Assured and AG Muni; Moody's and S&P have withdrawn their ratings for FGIC, Ambac and Syncora. Potential investors are directed to the Rating Agencies for additional information on their ongoing evaluations of the financial guaranty industry and individual financial guarantors.

Litigation

Currently there is no litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened, which, if successful, would have the effect of restraining or enjoining the issuance or delivery of the 2016A Bonds or the fixing or collection of the revenues pledged thereto. Nor is there currently any litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened which questions or affects the validity of the 2016A Bonds or the proceedings and authority under which the 2016A Bonds are to be issued. Further, there is currently no litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened, which questions or affects the corporate existence of the Board or the title of the present officers to their respective offices. The University, the Board, and the Division of Bond Finance from time to time engage in routine litigation the outcome of which would not be expected to have any material adverse affect on the issuance and delivery of the 2016A Bonds.

Legal Opinion and Closing Certificates

The approving legal opinion of Bryant Miller Olive P.A., Tallahassee, Florida, will be provided on the date of delivery of the 2016A Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2016A Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix K.

Continuing Disclosure

The Board and the University will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2016A Bonds to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the "MSRB") using its Electronic Municipal Market Access System ("EMMA"). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix J, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Board, the University nor the Division of Bond Finance has failed, in the previous five years, to comply in all material respects with any prior disclosure undertakings. However, in March 2016, the Board failed to file a material event notice of a rating downgrade within the prescribed ten business days because neither the University of North Florida nor Standard & Poor's notified the Board or the State of the rating downgrade. The material event notice of the rating downgrade was filed four days late upon the Board and the State learning of the downgrade.

Also in the past five years, the USF Financing Corporation (the "Financing Corporation") and the University were inadvertently late in filing certain annual reports. Such late filings occurred primarily in connection with two undertakings that required filings to be made within 180 days of fiscal year end, rather than within 210 days as required by the majority of the Financing Corporation's and the University's other undertakings. In addition, financial statements for the University of South Florida Foundation, Inc. (the "Foundation"), an entity which was not a party to, but whose financial statements were required to be filed under, the undertaking made with respect to the Financing Corporation's Series 2010A Certificates and the Series 2010B Certificates, were not timely filed; the required Foundation financial statements were filed on March 30, 2015. In addition, the annual reports filed for the fiscal year ended 2010 inadvertently failed to include certain required tables. Lastly, the Financing Corporation and the University failed to file or timely file certain event notices related to: (a) the failure to timely file certain annual reports as set forth above, (b) the termination of their respective reporting obligations under the undertakings for prior debt obligations that were redeemed before their stated maturity; however, notices with respect to such redemptions were filed, (c) the substitution of certain credit enhancers, and (d) certain ratings changes relating to credit enhancers for some of their prior debt obligations; however, such ratings changes were widely publicized in the market at the time they occurred and were also publicly available to investors.

Underwriting

Wells Fargo Bank, N. A. (the "Underwriter") has agreed to purchase the 2016A Bonds at an aggregate purchase price of $21,485,751.25 (which represents the par amount of the 2016A Bonds minus the Underwriter's discount of $59,248.75). The Underwriter may offer and sell the 2016A Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Execution of Official Statement

The Division of Bond Finance and the Board have authorized the execution and delivery of the Official Statement.

DIVISION OF BOND FINANCE of the STATE BOARD OF ADMINISTRATION OF FLORIDA

RICK SCOTT
Governor, as Chairman of the Governing Board
of the Division of Bond Finance

J. BEN WATKINS III
Director
Division of Bond Finance

BOARD OF GOVERNORS

THOMAS G. KUNTZ
Chair

DEFINITIONS

"2002 Bonds" means the $12,700,000 State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002.

"2004A Bonds" means the $16,000,000 State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A.

"2006A Bonds" means the $17,020,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A.

"2016A Bonds" means the $21,545,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A.

"Additional Parity Bonds" means any obligations issued pursuant to the terms and conditions of the Resolution and payable from the Pledged Revenues on a parity with the Bonds originally authorized and issued pursuant to the Resolution. Such Additional Parity Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Bonds originally authorized and issued pursuant to the Resolution, and all of the applicable covenants and other provisions of the Resolution (except as to details of such Additional Parity Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds originally authorized and issued pursuant to the Resolution, and the Registered Owners of any Additional Parity Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with the Resolution. All of such Additional Parity 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 of any Bonds over any other. Additional Parity Bonds shall also include any outstanding indebtedness previously issued with respect to any parking facility which is being added to the Parking System and which is secured by the revenue of such parking facility.

"Administrative Expenses" means, with respect to the Bonds or the administration of any funds under the Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division, 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 provided pursuant to a subsequent resolution adopted by the Division and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds together with redemption premiums, if any, on the Term Bonds.

"Annual Debt Service Requirement" means, at any time, the amount of money required to pay the interest, principal and Amortization Installment in each 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.

"Assistant Secretary" means an Assistant Secretary of the Division.

"Board of Administration" means the State Board of Administration of Florida.

"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.

"Bond Amortization Account" means the account within the Sinking Fund created pursuant to Section 4.02(B) of the Original Resolution.

"Bond Insurance Policy" means an insurance policy issued for the benefit of the Holders of any Bonds, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bonds to the extent of any deficiency in the amounts in the funds and accounts held under the 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.

"Bond Year" means, with respect to a particular Series of Bonds, 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 selects another date on which to end a Bond Year in the manner permitted by the Code.

"Bonds" means the 2002 Bonds, the 2004A Bonds, the 2006A Bonds, the 2016A Bonds and any Additional Parity Bonds issued in accordance with Section 5.01 of the Original Resolution.

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

"Current Expenses" means and include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance and all other expenses of the Board or the University incident to the operation of the Parking System as expanded by the terms of the Resolution, but shall exclude depreciation, all general administrative expenses of the Board or the University, the expenses of operation of auxiliary facilities the revenues of which are not pledged as security for the Bonds and the payments into the Parking System Maintenance and Equipment Reserve Fund provided for in the Resolution.

"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 or any Assistant Secretary delegated authority by the Director.

"Division" means the Division of Bond Finance of the State Board of Administration.

"Fifth Supplemental Resolution" means the resolution adopted by the Governing Board on August 2, 2016, authorizing the 2016A Bonds.

"First Supplemental Resolution" means the resolution adopted by the Governing Board on June 12, 2002, authorizing the 2002 Bonds.

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

"Fourth Supplemental Resolution" means the resolution adopted by the Governing Board on April 4, 2006, authorizing the 2006A Bonds.

"Governing Board" means the Governor and Cabinet of the State of Florida as the governing board of the Division.

"Holder of Bonds", "Bondholder", "Registered Owner" or any similar term, means any person who shall be the registered owner of any Bonds.

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

"Maximum Annual Debt Service" means, at any time, the maximum amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund. For the purpose of calculating the deposits to be made into a sub-account in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum 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 sub-account 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 shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

"Original Resolution" means the resolution adopted on July 26, 1994, by the Governing Board authorizing the issuance of the 1994 Bonds.

"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 in the Resolution;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions in the Resolution 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; and

(iv) For purposes of any consent or other action to be taken by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the Board.

(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).

"Outstanding Bonds" means the Outstanding 2006A Bonds, the Outstanding 2016A Bonds and subsequent series of Bonds issued on a parity therewith.

"Parking System" means the University's existing parking facilities located in Tampa, Florida, on the campus of the University and such additional facilities as at some future date may be added to the Parking System.

"Parking System Maintenance and Equipment Reserve Fund" means the fund required created pursuant to Section 4.02(C) of the Resolution.

"Parking System Revenues"means all fees, rentals or other charges and income related to parking, received by the University from students, faculty members, and others using or being served by or having the right to use, or having the right to be served by, the Parking System, and all parts thereof, and specifically including, without limiting the generality of the foregoing, transportation access fees, parking decal fees, parking meter collections, citation collections, fines, special rental fees or other charges for parking services or parking space provided by the University.

"Pledged Revenues" means the Parking System Revenues after deducting the Administrative Expenses, the Current Expenses and the Rebate Amount, if any.

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

"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 6.05 of the Resolution.

"Rebate Year" means, with respect to each Series of Bonds, (i) the twelve-month period commencing on the anniversary of the "closing date" with respect to such Series of Bonds in each year and ending on the day prior to the anniversary of the "closing date" in the following year, except that the first Rebate Year with respect to such Series of Bonds shall commence on the "closing date" for such Series of Bonds and the final Rebate Year with respect to the Bonds shall end on the date of final maturity or early redemption of such Series of Bonds or (ii) such other period as regulations promulgated or to be promulgated by the United States Department of Treasury may prescribe. "Closing date" as used herein means, with respect to a Series of Bonds, the date of issuance and delivery of such Series of Bonds to the original purchaser thereof.

"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.

"Reserve Account" means the account within the Sinking Fund created pursuant to Section 4.02(B) of the Resolution and which shall include any subaccounts established for a particular 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 in lieu of or in partial substitution for cash or securities on deposit therein. The provider of such Reserve Account Credit Facility shall be rated 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 on deposit therein. The provider of such Reserve Account Insurance Policy shall be an insurer rated in one of the two highest full rating categories of a Rating Agency.

"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 on deposit therein. The provider of such letter of credit shall be a banking association, bank or trust company or branch thereof whose letter of credit results in the rating of municipal obligations secured by such letter of credit to be rated in one of the two highest full rating categories of a Rating Agency.

"Reserve Requirement" or "Debt Service Reserve Requirement" means, as of any date of calculation for a particular debt service reserve subaccount, an amount to be determined by the Director, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service requirement on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations under the U.S. Internal Revenue Code of 1986, as amended, with respect to the Bonds secured by such subaccount.

"Resolution" means the Original Resolution, as amended and supplemented by the First through Fifth Supplemental Resolutions, and as may be further amended and supplemented from time to time.

"Revenue Fund" means the University of South Florida Parking System Revenue Fund created and established pursuant to Section 4.02 of the Original Resolution.

"Second Supplemental Resolution" means the resolution adopted by the Governing Board on August 10, 2004, authorizing the New Money Portion of the 2004A Bonds.

"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 the 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 of the Resolution, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means the University of South Florida Parking System Sinking Fund created and established pursuant to Section 4.02(B) of the Original 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 Bond Amortization Account in the Sinking Fund, created in the Resolution, as may be provided pursuant to a subsequent resolution of the Division.

"University" means the University of South 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.

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $6,000,000 STATE OF FLORIDA, BOARD OF REGENTS, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE BONDS, SERIES 1994, TO FINANCE THE CONSTRUCTION OF A PARKING FACILITY AT THE UNIVERSITY OF SOUTH FLORIDA; 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 ON BEHALF OF AND IN THE NAME OF THE BOARD OF REGENTS OF THE DIVISION OF UNIVERSITIES OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION.

ARTICLE I
AUTHORITY, DEFINITIONS, AND FINDINGS

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; Chapters 240 and 243, Florida Statutes, and other applicable provisions of law.

SECTION 1.02. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

(A) "Accreted Value" shall mean, 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 the date of computation if an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division of Bond Finance (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.

(B) "Additional Parity Bonds" shall mean any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with the 1994 Bonds originally issued hereunder. Such Additional Parity Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds originally 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 Parity Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds originally authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Parity Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Parity 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 of any Bonds over any other. Additional Parity Bonds shall also include any outstanding indebtedness previously issued with respect to any parking facility which is being added to the Parking System and which is secured by the revenue of such parking facility.

(C) "Administrative Expenses" shall mean, 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.

(D) "Amortization Installment" shall mean 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 provided 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 together with redemption premiums, if any, on the Term Bonds.

(E) "Annual Debt Service Requirement" shall mean, at any time, the amount of money required to pay the interest, principal and Amortization Installment in each 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.

(F) "Auditor General" shall mean the Auditor General of the State of Florida.

(G) "Board of Administration" shall mean the State Board of Administration, as created pursuant to the provisions of Article XII, Section 9, Florida Constitution and Chapter 215, Florida Statutes.

(H) "Board of Regents" or "Board" shall mean the Board of Regents of the Division of Universities of the State of Florida Department of Education, as created pursuant to the provisions of Chapter 240, Florida Statutes.

(I) "Bond Amortization Account" shall mean the account within the Sinking Fund created pursuant to Section 4.02(B) of this Resolution.

(J) "Bond Insurance Policy" shall mean an insurance policy issued for the benefit of the Holders of any Bonds, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bonds 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.

(K) "Bond Registrar/Paying Agent" shall mean State Street Bank and Trust Co., N.A., New York, New York, or its successor.

(L) "Bonds" shall mean the 1994 Bonds and any Additional Parity Bonds issued in accordance with Section 5.01 hereof.

(M) "Capital Appreciation Bonds" shall mean those Bonds issued under this Resolution 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 of Bond Finance.

(N) "Completion Bonds" shall mean those Bonds issued pursuant to Section 5.04 of this Resolution to pay the cost of completing the 1994 Project.

(O) "Current Expenses" shall mean and include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance and all other expenses of the Board of Regents or the University incident to the operation of the Parking System as expanded by the terms of this Resolution, but shall exclude depreciation, all general administrative expenses of the Board of Regents or the University, the expenses of operation of auxiliary facilities the revenues of which are not pledged as security for the Bonds and the payments into the Parking System Maintenance and Equipment Reserve Fund hereinafter provided for.

(P) "Defeasance Obligations" shall mean, 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.

(Q) "Division of Bond Finance" shall mean the Division of Bond Finance of the State Board of Administration.

(R) "Fiscal Year" shall mean the period beginning with and including July 1 of each year and ending with and including the next June 30.

(S) "Governing Board" shall mean the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

(T) "Holder of Bonds", "Bondholder", "Registered Owner" or any similar term, shall mean any person who shall be the registered owner of any Bonds.

(U) "Interest Payment Date" shall mean, for each Series of Bonds, such dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as set forth pursuant to a subsequent resolution of the Division of Bond Finance.

(V) "Maximum Annual Debt Service" shall mean, at any time, the maximum 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 sub-account in the Reserve Account, the Maximum Annual Debt Service shall mean, at any time, the maximum amount, if any, required to be deposited during the then current or any succeeding Fiscal Year, into the Sinking Fund with respect to the Bonds for which such sub-account 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 shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

(W) "1994 Bonds" shall mean the not to exceed $6,000,000 State of Florida, Board of Regents, University of South Florida Parking Facility Revenue Bonds, Series 1994.

(X) "1994 Project" shall mean the multi-level parking facility located on the University of South Florida main campus as previously approved by the Board of Regents and the Legislature, and subject to any deletions, modifications, or substitutions deemed necessary and expedient and approved by resolution of the Board of Regents.

(Y) "1994 Project Construction Fund" shall mean a trust fund in which shall be deposited the net proceeds of the 1994 Bonds and other available moneys for the construction of the 1994 Project.

(Z) "Project Costs" shall mean the actual costs of the 1994 Project, including costs of design and construction; materials, labor, parking equipment and apparatus; sitework and landscaping; interest on the Bonds for a reasonable period after the date of delivery thereof, if necessary; an amount sufficient to establish adequate reserves; architect 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 Regents necessary to the construction and placing in operation of the 1994 Project and the financing thereof.

(AA) "Outstanding" shall mean, 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; and

(iv) For purposes of any consent or other action to be taken hereunder by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the Board of Regents.

(BB) "Parking System" shall mean (1) the University's existing parking facilities located in Tampa, St. Petersburg and Sarasota, Florida, and if applicable, in Ft. Meyers and Lakeland, on the campuses of the University; (2) the 1994 Project; and (3) such additional parking facilities as at some future date may be added to the Parking System by designation of the Board of Regents.

(CC) "Parking System Maintenance and Equipment Reserve Fund" shall mean the fund required to be created pursuant to Section 4.02(C) hereof.

(DD) "Parking System Revenues" shall mean all fees, rentals or other charges and income received by the University from students, faculty members and others using or being served by or having the right to use, or having the right to be served by, the Parking System, and all parts thereof, and specifically including, without limiting the generality of the foregoing, decal sales, parking meter collections and citation collections.

(EE) "Pledged Revenues" shall mean the Parking System Revenues after deducting the Administrative Expenses, the Current Expenses and the Rebate Amount, if any.

(FF) "Principal Payment Date" shall mean, for each Series of Bonds, such dates of each Fiscal Year on which principal of Outstanding Bonds of such Series is payable, as set forth pursuant to a subsequent resolution of the Division of Bond Finance.

(GG) "Rating Agency" shall mean a nationally recognized bond rating agency.

(HH) "Rebate Amount" shall have the meaning ascribed to that term in Section 6.05 of this Resolution.

(II) "Rebate Fund" shall mean the Rebate Fund created and established pursuant to Section 6.05 of this Resolution.

(JJ) "Rebate Year" shall mean, with respect to each Series of Bonds issued hereunder, (i) the twelve-month period commencing on the anniversary of the "closing date" with respect to such Series of Bonds in each year and ending on the day prior to the anniversary of the "closing date" in the following year, except that the first Rebate Year with respect to such Series of Bonds shall commence on the "closing date" for such Series of Bonds and the final Rebate Year with respect to the Bonds shall end on the date of final maturity or early redemption of such Series of Bonds or (ii) such other period as regulations promulgated or to be promulgated by the United States Department of Treasury may prescribe. "Closing date" as used herein shall mean, with respect to the Series of Bonds issued hereunder, the date of issuance and delivery of such Series of Bonds to the original purchaser thereof.

(KK) "Record Date" shall mean with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date.

(LL) "Reserve Account" shall mean the account within the Sinking Fund created pursuant to Section 4.02(B) of this Resolution and which shall include any subaccounts established for a particular Series of Bonds.

(MM) "Reserve Account Credit Facility" shall mean 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 in lieu of or in partial substitution for cash or securities on deposit therein. The provider of such Reserve Account Credit Facility shall be rated in one of the two highest full rating categories of a Rating Agency.

(NN) "Reserve Account Insurance Policy" shall mean 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 on deposit therein. The provider of such Reserve Account Insurance Policy shall be an insurer rated in one of the two highest full rating categories of a Rating Agency.

(OO) "Reserve Account Letter of Credit" shall mean 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 on deposit therein. The provider of such letter of credit shall be a banking association, bank or trust company or branch thereof whose letter of credit results in the rating of municipal obligations secured by such letter of credit to be rated in one of the two highest full rating categories of a Rating Agency.

(PP) "Reserve Requirement" or "Debt Service Reserve Requirement" shall mean, as of any date of calculation for a particular debt service reserve subaccount, an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service requirement on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations under the U.S. Internal Revenue Code of 1986, as amended, with respect to the Bonds secured by such subaccount.

(QQ) "Resolution" shall mean this resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance authorizing the issuance of the 1994 Bonds.

(RR) "Revenue Fund" shall mean the University of South Florida Parking System Revenue Fund created and established pursuant to Section 4.02 of this Resolution.

(SS) "Serial Bonds" shall mean the Bonds of a Series which shall be stated to mature in periodic installments.

(TT) "Series" or "Series of Bonds" shall mean 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.

(UU) "Sinking Fund" shall mean the University of South Florida Parking System Sinking Fund created and established pursuant to Section 4.02(B) of this Resolution.

(VV) "State" shall mean the State of Florida.

(WW) "Term Bonds" shall mean 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 Bond Amortization Account in the Sinking Fund, hereinafter created, as may be provided pursuant to a subsequent resolution of the Division of Bond Finance.

(XX) "University" shall mean the University of South 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.

SECTION 1.03. FINDINGS. It is hereby found, determined, and declared as follows:

(A) The Board of Regents is authorized to acquire, own, construct, operate, maintain, improve and extend public buildings and facilities for use by any of the several State universities, and to finance such improvements; and the Board of Regents is further authorized to pay the principal of and interest on obligations issued on its behalf to finance the construction and acquisition of such improvements.

(B) The construction of the 1994 Project at the University is necessary, desirable and in the best interest of the University.

(C) The Board of Regents did, on July 15, 1994, adopt a resolution requesting the Division of Bond Finance to take the necessary actions required for the issuance of the 1994 Bonds.

(D) The State at this time is without immediately available funds to make the capital outlay necessary for the construction of the 1994 Project.

(E) Pursuant to the State Bond Act, the Division of Bond Finance is authorized to issue the 1994 Bonds on behalf of the Board of Regents to finance the 1994 Project.

(F) The 1994 Project shall be the construction and establishment of a parking facility substantially in accordance with the plans and specifications as may be approved by the Board of Regents from time to time.

(G) As required by Article VII, Section 11(e) of the Florida Constitution, the Florida Legislature approved the 1994 Project in Section 10 of Chapter 94-357, Laws of Florida.

(H) The principal of and interest on the Bonds to be issued pursuant to this Resolution, and all of the reserve, sinking fund and other payments provided for herein, will be payable solely from the revenues accruing to and to be received by the Board of Regents or the University in the manner provided by this Resolution, consisting of the Pledged Revenues as hereinafter defined.

(I) The Bonds to be issued pursuant to this Resolution shall not constitute, directly or indirectly, a debt or a charge against the State of Florida or any political subdivision thereof, but shall be revenue bonds within the meaning of Article VII, Section 11(d), Florida Constitution, and shall be payable solely from funds derived directly from sources other than State tax revenues.

(J) The Division of Bond Finance pursuant to the statutes and constitutional provisions herein cited, is authorized to issue the Bonds, on behalf of, and in the name of the Board of Regents, subject to the terms, limitations and conditions contained in this Resolution.

(K) Pursuant to Sections 215.59 and 215.64, Florida Statutes, the Division of Bond Finance is authorized to issue revenue bonds on behalf of State agencies payable from funds derived directly from sources other than State tax revenues, without the vote of electors in the manner provided by law.

(L) The proceeds of the 1994 Bonds will be sufficient, together with other available moneys, to pay the cost of the 1994 Project as provided in this Resolution.

SECTION 1.04. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the 1994 Bonds by those who shall hold 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 Regents, the University and such Bondholders. The covenants and agreements to be performed by the Board of Regents and the University shall be for the equal benefit, protection, and security of the legal holders of any and all of the 1994 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.

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

SECTION 2.01. AUTHORIZATION OF 1994 BONDS. Subject and pursuant to the provisions of this Resolution, fully registered revenue bonds of the Board of Regents of the Division of Universities of the State of Florida Department of Education to be known as "State of Florida, Board of Regents, University of South Florida Parking Facility Revenue Bonds, Series 1994" (or such other designation as may be approved by the Division), are hereby authorized to be issued by the Division of Bond Finance on behalf of the Board of Regents in an aggregate principal amount not to exceed Six Million Dollars ($6,000,000), for the purpose of financing the construction and equipping of the 1994 Project.

SECTION 2.02. DESCRIPTION OF 1994 BONDS. The 1994 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 (1) upward and shall be in the denomination of $5,000 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, acceleration 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 1994 Bonds may be sold at one time or in Series from time to time as the Division of Bond Finance may determine by resolution. If issued in Series, each Series shall be dated and have an identifying number or letter. All of such 1994 Bonds, when issued, will rank equally as to source and security for payment.

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, Tallahassee, Florida) on the Record Date next preceding such Interest Payment Date by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) from the Bond Registrar/Paying Agent to the Bondholder, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption, acceleration or maturity thereof.

SECTION 2.03. NO PLEDGE OF FULL FAITH AND CREDIT OF STATE OF FLORIDA. The payment of the principal of and interest on the Bonds is secured only by the Pledged Revenues, as defined herein, generated by the Parking System in the manner set forth herein. The Bonds do not constitute general obligations or indebtedness of the State of Florida or any of its agencies and shall not be a debt of the State or of any agency, and the full faith and credit of the State is not pledged to the principal of or interest on the Bonds.

SECTION 2.04. 1994 BONDS MAY BE ISSUED AS SERIAL BONDS OR TERM BONDS. The 1994 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 2.05. PRIOR REDEMPTION OF THE 1994 BONDS. The 1994 Bonds shall be subject to redemption as provided in this Resolution and in the Notice of Bond Sale, provided that the Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to amend the redemption provisions of the 1994 Bonds in such manner as he may determine to be in the best interest of the State.

Unless waived by any Holder of 1994 Bonds to be redeemed, a notice of the redemption prior to maturity of any of the 1994 Bonds shall be mailed by first class mail (postage prepaid) at least thirty (30) days prior to the date of redemption to the Registered Owner of the 1994 Bonds to be redeemed, of record on the books of the Bond Registrar, as of forty-five days prior to the date of redemption. Such notice of redemption shall specify the serial or other distinctive numbers or letters of the 1994 Bonds to be redeemed, if less than all, the date fixed for redemption, and the redemption price thereof and, in the case of 1994 Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing to any Holder of 1994 Bonds, or any defect therein, shall not affect the validity of the proceedings for the redemption of any 1994 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 1994 Bond receives such notice.

The privilege of transfer or exchange of any of the 1994 Bonds is suspended during a period beginning at the opening of business on the 15th business day next preceding the date fixed for redemption and ending at the close of business on the date fixed for redemption.

Notice having been given in the manner and under the conditions hereinabove provided, the 1994 Bonds or portions of 1994 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such 1994 Bonds or portions of 1994 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 1994 Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the 1994 Bonds or portions of 1994 Bonds so called for redemption shall cease to accrue, such 1994 Bonds and portions of 1994 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 1994 Bonds or portions of 1994 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for the payment thereof and, to the extent provided herein to receive 1994 Bonds for any unredeemed portion of the Bonds. Any and all 1994 Bonds redeemed prior to maturity shall be duly cancelled 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.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all 1994 Bonds being redeemed; (ii) the date of issue of the 1994 Bonds as originally issued; (iii) the rate of interest borne by each 1994 Bond being redeemed; (iv) the maturity date of each 1994 Bond being redeemed; (v) the publication date of the official notice of redemption; (vi) the name and address of the Bond Registrar/Paying Agent; and (vii) any other descriptive information needed to identify accurately the 1994 Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the 1994 Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the 1994 Bonds.

(c) Each further notice of redemption shall be published one time in The Bond Buyer of New York, New York or in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the 1994 Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

(d) Upon the payment of the redemption price of 1994 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the 1994 Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding 1994 Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such 1994 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 1994 Bond so surrendered, a 1994 Bond or 1994 Bonds fully registered as to principal and interest.

SECTION 2.06. EXECUTION OF 1994 BONDS. The 1994 Bonds shall be executed in the name of the Board of Regents by its Chairman, and attested to by its Vice-Chairman, or such other member of the Board of Regents 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 Regents or a facsimile thereof shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the 1994 Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the signatures required hereinabove may be a facsimile signature imprinted or reproduced on the 1994 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 1994 Bonds shall cease to be such officer of the Board of Regents before the Bonds so signed and sealed shall have been actually sold and delivered, the 1994 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such 1994 Bonds had not ceased to hold such office. Any 1994 Bond may be signed and sealed on behalf of the Board of Regents by such person as to the actual time of the execution of such 1994 Bond shall hold the proper office, although at the date of such 1994 Bond, such person may not have held such office or may not have been so authorized.

A certificate as to Circuit Court validation, in the form hereinafter provided, shall be executed with the facsimile signature of any present or future Chairman of the Governing Board of the Division of Bond Finance.

A certificate as to the approval of the issuance of the 1994 Bonds pursuant to the provisions of the State Bond Act, in the form provided herein, shall be executed by the facsimile signature of the Comptroller of the State of Florida, as Secretary of the Governing Board of the Division of Bond Finance.

SECTION 2.07. NEGOTIABILITY. The 1994 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 Holder and each successive Holder of any of the 1994 Bonds shall be conclusively deemed by his acceptance thereof to have agreed that the 1994 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 2.08. REGISTRATION AND TRANSFER. The 1994 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 1994 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 1994 Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

All 1994 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 Bondholder or his transferee for any expenses incurred in making any exchange or transfer of the 1994 Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Bondholder 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 1994 Bonds delivered upon any transfer or exchange shall be valid obligations of the Board of Regents evidencing the same debt as the 1994 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 1994 Bonds surrendered.

The Board of Regents and the Bond Registrar/Paying Agent may treat the Registered Owner of any 1994 Bond as the absolute owner thereof for all purposes, whether or not such 1994 Bond shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any 1994 Bond is registered may be deemed the owner thereof by the Board of Regents and the Bond Registrar/Paying Agent, and any notice to the contrary shall not be binding upon the Division of Bond Finance or the Bond Registrar/Paying Agent.

Notwithstanding the foregoing provisions of this Section 2.08, the Division of Bond Finance reserves the right, on or prior to the delivery of the 1994 Bonds, to amend or modify the foregoing provisions relating to registration of the 1994 Bonds in order to comply with all applicable laws, rules, and regulations of the United States Government and the State of Florida relating thereto.

SECTION 2.09. AUTHENTICATION. 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 2.10. 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 Bond 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 2.11. 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 holder furnishing the Division of Bond Finance proof of his 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 2.11 shall constitute original, additional, contractual obligations on the part of the Board of Regents, 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 2.12. FORM OF 1994 BONDS. The text of the 1994 Bonds, together with the validation certificate to be endorsed thereon, shall be substantially of the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof:

[FORM OF BOND INTENTIONALLY OMITTED]

ARTICLE III
APPLICATION OF PROCEEDS

SECTION 3.01. CONSTRUCTION OF THE 1994 Project. The Board of Regents is authorized to cause the construction of the 1994 Project from the proceeds derived from the sale of the 1994 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 1994 BOND PROCEEDS. (A) Upon receipt of the proceeds of the sale of the 1994 Bonds, and after reserving an amount sufficient to pay all costs and expenses incurred in connection with the preparation, issuance and sale of the 1994 Bonds, including a reasonable charge for the Division of Bond Finance's services, including arbitrage compliance program set-up, the Division of Bond Finance shall transfer and deposit the remainder of the 1994 Bond proceeds as follows:

(1) An amount which together with other moneys available therefor and on deposit in the Reserve Account is equal to the Debt Service Reserve Requirement, shall be transferred to the Board of Administration and deposited in the Reserve

Account in the Sinking Fund to be used solely for the purpose of the Reserve Account. Alternatively, the Division of Bond Finance, as provided in Section 4.02(B), 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 Debt Service Reserve Requirement and the sums then on deposit in the applicable sub-account in the Reserve Account.

(2) 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 in the Sinking Fund, created by this Resolution, and used for the payment of interest on the 1994 Bonds.

(3) After making the transfers provided for in subsections (1) and (2) above, the balance of the proceeds of the Bonds shall be transferred to and deposited into the 1994 Project Construction Fund, which is hereby created in the State Treasury, and used for the purposes of said 1994 Project Construction Trust Fund.

Any unexpended balance remaining in the 1994 Project Construction Fund, after a consulting architect shall certify that the 1994 Project has been completed and all costs thereof paid or payment provided for, shall be deposited in the Sinking Fund created by this Resolution.

In addition to the aforementioned proceeds of the 1994 Bonds, the Board of Regents covenants that it will deposit into the 1994 Project Construction Fund, additional funds legally available for such purpose which, together with the proceeds of the 1994 Bonds, will be sufficient to finance the total 1994 Project Costs. Any such additional funds, other than the proceeds of the 1994 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 said 1994 Project Construction Fund, or in any other construction fund hereafter created for any project hereafter financed in whole or in part from the proceeds of pari passu additional Bonds as provided herein, shall constitute a trust fund for such purposes and there is hereby created a lien upon such funds in favor of the holders of 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 1994 PROJECT CONSTRUCTION FUND. Any moneys in the 1994 Construction Fund not immediately needed for the purposes provided in this Resolution, may be temporarily invested and reinvested as provided in Section 18.10, 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 senior lien on the Pledged Revenues as provided for in Section 6.01 of this Resolution and to be received under 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 Holder or Holders 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 PARKING SYSTEM REVENUES. Upon collection the Parking System Revenues shall be deposited by the University into a separate account in a bank approved by the Board of Regents and the State Treasurer. This separate account shall be known as the "University of South Florida Parking System Revenue 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 Regents 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:

(A) First, for payment of Current Expenses of the University Parking System as necessary, as determined by the University.

(B) Second, a sufficient amount of moneys shall be transferred no later than 30 days before an Interest Payment Date and/or a Principal Payment Date, to the Board of Administration to be used as follows:

(i) for payment of the Administrative Expenses;

(ii) for deposit into the Sinking Fund, which is hereby created, an amount sufficient to pay the next installments of principal and interest to become due during the then current Fiscal Year, including Amortization Installments for any Term Bonds which funds shall be deposited into the Bond Amortization Account which is hereby created;

(iii) for the maintenance and establishment, if necessary, together with other moneys available for such purposes, of the Reserve Account, or sub-accounts therein, in the Sinking Fund in an amount equal to the Debt Service Reserve Requirement.

The moneys in the Reserve Account shall be used for the payments provided for in (ii) above when the other moneys in the Sinking Fund are insufficient therefor, any withdrawals from the Reserve Account shall be restored from the first moneys available therefor in the Sinking Fund after the required payments under (ii) above have been made or provided for. Any unused portion of the Reserve Account may be used by the Board of Regents to reduce the final installments of the Annual Debt Service Requirement becoming due. If the funds on deposit in the Reserve Account exceed the Reserve Requirement with respect to the Series of Bonds secured thereby, such excess shall remain in the Sinking Fund to be used for the purposes thereof.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Board of Regents may at any time cause to be deposited into one or more sub-accounts in the Reserve Account, a Reserve Account Credit Facility for the benefit of the Bondholders for which such sub-account has been established, in an amount which, together with sums on deposit, equals the Debt Service Reserve Requirement. The Reserve Account Credit Facility 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. In no event shall the use of such Reserve Account Credit Facility be permitted if it 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. If a disbursement is made under the Reserve Account Credit Facility, the Board of Regents 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 Reserve Account or to deposit into the applicable sub-account 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.

In the event that any moneys shall be withdrawn by the Board of Administration from the Reserve Account for the payment of interest, principal or Amortization Installments, such withdrawals shall be subsequently restored from the first Pledged Revenues available after all required payments have been made as provided in paragraph (ii) of this section, including any deficiencies for prior payments, unless restored by a reinstatement under a Reserve Account Credit Facility of the amount withdrawn.

Moneys in the Reserve Account shall be used for payment of principal or interest only when the other moneys in the Sinking Fund available for such purpose are insufficient therefor.

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

Any moneys in a sub-account in the Reserve Account in excess of the amount required to be maintained therein shall first be used to cure any deficiency in any other sub-account in the Reserve Account and any remaining monies shall remain in the Sinking Fund; and

(iv) for deposit to the Rebate Fund created by Section 6.04(B) of this Resolution, an amount of moneys sufficient to pay the Rebate Amount.

(C) Third, when sufficient amounts have been accumulated in the Revenue Fund to satisfy the requirements of subsections (A) and (B) above, moneys shall be deposited by the University into the Parking System Maintenance and Equipment Reserve Fund to be established by the University in a separate account in a bank approved by the Board of Regents and the State Treasurer. Amounts required by this Resolution to be deposited into the Parking System Maintenance and Equipment Reserve Fund shall be as approved in the annual budget of the University pursuant to Section 8.12 hereof. Such deposits shall continue to be made in each Fiscal Year in amounts necessary to maintain a balance of deposits in such amounts as are required to be deposited by the Board of Regents.

The moneys in said Parking System Maintenance and Equipment Reserve Fund may be drawn on and used by the Board of Regents or the University for the purpose of paying the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and the renovating or replacement of the equipment and furnishings not paid as part of the ordinary and normal expense of the operation and maintenance of the said 1994 Project.

In the event the moneys in the Sinking Fund and Reserve Account therein on any Interest Payment Date or Principal Payment Date shall be insufficient to pay the next maturing installment of principal of or interest on the Bonds, then moneys in said Parking System Maintenance and Equipment Reserve Fund may be transferred by the University to the Board of Administration to be deposited into the Sinking Fund to the extent necessary to eliminate such deficiencies and to avoid a default or to the Rebate Fund to pay the Rebate Amount.

(D) Fourth, the balance of any money not needed for the payments provided in (A), (B) and (C) above, shall be applied in the sole discretion of the University for:

1. Optional redemption or purchase of Bonds; or

2. Any lawful purpose of the University.

(E) If on any payment date the revenues are insufficient to place the required amounts in any of the funds 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 on the subsequent payment dates.

(F) 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.

Except insofar as such funds may be needed for any payment required to be made by the terms of this Resolution or the Bonds, moneys in any of the funds authorized or required by this Resolution may be invested and reinvested at any time as provided by Section 18.10, Florida Statutes. When so invested or reinvested, the proceeds derived from the investment or reinvestment of such obligations shall be held for and credited to the fund 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 PARITY BONDS AND REFUNDING REQUIREMENTS

SECTION 5.01. ISSUANCE OF ADDITIONAL PARITY BONDS. The Division of Bond Finance is authorized to issue Additional Parity Bonds after the issuance of the 1994 Bonds authorized by this Resolution, but only upon the following terms, restrictions and conditions:

(A) The proceeds from such Additional Parity Bonds shall be used to acquire and construct capital additions or improvements to the Parking System.

(B) All previously authorized certificates or bonds shall have been issued and delivered, or authority for the issuance and delivery of any unissued portion thereof shall have been cancelled.

(C) The Board of Regents shall authorize the issuance of such Additional Parity Bonds.

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

(E) Certificates shall be executed by the Board of Regents or other appropriate State official setting forth:

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

(2) the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Parity Bonds then proposed to be issued.

(F) The Board of Regents must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and the Board of Regents must be currently in compliance with the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Parity Bonds; unless upon the issuance of such Additional Parity Bonds the Board of Regents will be in compliance with all such covenants and provisions.

(G)(1) The average amount of Pledged Revenues for the two (2) immediately preceding Fiscal Years adjusted as hereinafter provided, as certified by the Board of Regents or other appropriate State official pursuant to Section 5.01(E)(1), will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service on (i) the Bonds then Outstanding, and (ii) the Additional Parity Bonds then proposed to be issued;

(2) The Pledged Revenues calculated pursuant to the foregoing subsection (G)(1) may be adjusted, at the option of the Board of Regents as follows:

(a) If the Board of Regents or the University, prior to the issuance of the proposed Additional Parity Bonds, shall have increased the rates, fees, rentals or other charges for the services or facilities of the Parking System, the average amount of Pledged Revenues for the two (2) immediately preceding Fiscal Years prior to the issuance of said Additional Parity Bonds shall be adjusted to show the Pledged Revenues which would have been derived from the Parking System as if such increased rates, fees, rentals or other charges for the services or facilities of the Parking System had been in effect during all of such two preceding Fiscal Years.

(b) If the Board of Regents or the University shall have acquired or has contracted to acquire any privately or publicly owned existing parking facility, then the average amount of Pledged Revenues derived from the Parking System during the two (2)immediately preceding Fiscal Years prior to the issuance of said Additional Parity Bonds as certified by the Board of Regents or other appropriate State official, shall be increased by adding to the Pledged Revenues for said two (2)preceding Fiscal Years the net revenues which would have been derived from the existing parking facility so acquired as if such existing parking facility had been a part of the Parking System during such two (2) Fiscal Years. For the purposes of this paragraph, the revenues derived from said existing parking facility during such two (2) preceding Fiscal Years shall be adjusted to determine such net revenues by deducting the cost of operation and maintenance of said existing parking facility from the gross revenues of said parking facility in the same manner provided in this Resolution for the determination of Pledged Revenues. The revenues from such facilities may also be adjusted for any increase in rates as though they had been in effect during all of such two (2) preceding Fiscal Years.

(c) Should the Board of Regents or the University be constructing or acquiring additions, extensions or improvements to the Parking System from the proceeds of such Additional Parity Bonds or from sources other than Additional Parity Bonds and if the Board of Regents or the University shall have established rates, fees, rentals or other charges to be charged and collected from users of such facilities when service is rendered, the average amount of Pledged Revenues for the two (2) immediately preceding Fiscal Years prior to the issuance of such Additional Parity Bonds, as certified by the Board of Regents, shall be adjusted to show the Pledged Revenues estimated by the Board of Regents to be received from the users of the facilities to be financed, during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements as if such rates, fees, rentals or other charges for such services or facilities had been in effect during all of such two (2) Fiscal Years.

SECTION 5.02. REFUNDING BONDS. All of the Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Parity Bonds theretofore issued and then Outstanding, may be refunded as a whole or in part. This section shall not be construed as a limitation on the Division of Bond Finance's authority to issue refunding obligations that are junior to the Bonds or refunding Bonds for the purpose of refunding junior obligations. If the Annual Debt

Service Requirement of the refunding Bonds in each Fiscal Year is equal to or less than the Annual Debt Service Requirement of the refunded Bonds, then the provisions of Section 5.01(G) 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 covenants that it will not issue any other obligations, except Additional Parity 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 issued pursuant to this Resolution, upon the Pledged Revenues securing the Bonds provided for in this Resolution. Any such other obligations hereafter issued by the Board of Regents, in addition to the Bonds authorized by this Resolution and such Additional Parity Bonds and parity refunding bonds or Completion Bonds provided for in Section 5.01, 5.02 or 5.04 hereof, shall contain an express statement that such obligations are junior and subordinate to the Bonds issued pursuant to this Resolution, and any Additional Parity Bonds thereafter issued, as to lien on and source and security for payment from such Pledged Revenues.

SECTION 5.04. COMPLETION BONDS. The Board of Regents and the Division of Bond Finance may issue Additional Parity Bonds for the purpose of completing the 1994 Project. The Board of Regents and the Division of Bond Finance 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 1994 Construction Fund for such costs shall be equal to or less than 20% of the original estimated cost of the 1994 Project at the time of the original issuance of the 1994 Bonds.

ARTICLE VI
COVENANTS

SECTION 6.01. PLEDGE OF PLEDGED REVENUES. The Board of Regents hereby covenants and agrees with the Holders 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 Rebate Amounts, if any, in the manner provided in this Resolution and the Holders of the Bonds shall have a valid and enforceable senior lien on such Pledged Revenues in the manner provided herein.

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

(A) That it will 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 and that it will duly and punctually perform and carry out all the covenants of the Board of Regents made herein and the duties imposed upon the Board of Regents by this Resolution.

(B) That in preparing, approving and adopting any budget controlling or providing for the expenditures of its funds for each budget period it will allocate, allot and approve from its Parking System Revenues and other available funds the amounts sufficient to apply the Pledged Revenues as provided in this Resolution.

(C) That it will from time to time recommend, fix and include in its budgets such revisions in the amounts of rentals, fees and other charges to be levied upon and collected from each person using the facilities of the Parking System which will produce sums sufficient to pay, when due, the requirements as set forth under this Resolution.

(D) That it will continue to collect the fines, fees, rentals and other amounts charged all students, faculty members and tenants of the facilities of the Parking System.

SECTION 6.03. FEES, RENTALS OR OTHER CHARGES. (A) The Board of Regents covenants that it will fix, establish and collect such fees, rentals or other charges from students, faculty members and others using or being served by, or having the right to use, or having the right to be served by the Parking System, and revise the same from time to time whenever necessary, so that the Parking System Revenues shall be sufficient in each Fiscal Year to pay at least one hundred percent (100%) of an amount equal to the Current Expenses and Administrative Expenses, and so that the Pledged Revenues shall be sufficient in each Fiscal Year to pay at least one hundred percent (100%) of an amount equal to the Annual Debt Service Requirement for the Bonds and at least one hundred percent (100%) of all other payments required by the terms of this Resolution.

(B) The Board of Regents will increase such fees, rentals or other charges as shall be necessary to comply with the provisions of subsection (A), provided that such increase will not result in a reduction in the number of persons being served by the Parking System, or a reduction of Parking System Revenues for the then current or any future Fiscal Year.

(C) Whenever in any year the amounts of Parking System Revenues stated in the annual budget, as provided hereafter, for the ensuing Fiscal Year shall be insufficient to comply with the requirements of the above paragraph for such Fiscal Year, then it shall be the duty of the Board of Regents to increase such fees, rentals or other charges for the ensuing Fiscal Year in an amount sufficient to comply with the provisions of the above paragraph for such ensuing Fiscal Year, and any deficiencies in prior years.

SECTION 6.04. NO FREE SERVICE. The Board will not render or cause to be rendered any free services of any nature by its Parking System, nor will any preferential rates be established for users of the same class.

SECTION 6.05. COMPLIANCE WITH TAX REQUIREMENTS: REBATE FUND. (A) In addition to any other requirement contained in this Resolution, the Division of Bond Finance, the Board of Regents, and the Board of Administration hereby covenant and agree, for the benefit of the Holders from time to time of the Bonds, that each will comply with the requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder (the "Code") as shall be set forth in the non-arbitrage certificate of the Board of Regents dated and delivered on the date of original issuance and delivery of each series of Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the Division of Bond Finance and Board of Regents covenant and agree:

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

(ii) 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;

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

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

The Board of Regents, 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 Regents 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 Series of Bonds issued hereunder for each Rebate Year within thirty (30) days after the end of such Rebate Year and within thirty (30) days after the final maturity of each such Series of Bonds. On or before the expiration of each such thirty (30) day period, the Board of Regents shall deposit or direct the Board of Administration to deposit into the Rebate Fund which is hereby created and established in the Board of Administration, from investment earnings or moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Board of Regents, an amount equal to the Rebate Amount for such Rebate 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 Regents, which payments shall be made in installments, commencing not more than thirty (30) days after the end of the fifth Rebate Year and with subsequent payments to be made not later than five (5) years after the preceding payment was due except that the final payment shall be made within thirty (30) 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 Regents 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 Regents 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 Regents 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 Regents may direct the Board of Administration to transfer the amount of money in excess of the Rebate Amount to the University, for deposit in 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 in accordance with the terms hereof, such amounts shall be paid over to the Board of Regents 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 Regents and shall be subject to a lien in favor of the Bondholders, 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 Regents 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 (i) 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 (ii) 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 6.05. ANNUAL FINANCIAL STATEMENT. (A) Annually, within ninety (90) days after the end of the Fiscal Year, the University will prepare a financial statement of the Parking System for the preceding Fiscal Year, reflecting in reasonable detail the financial condition and record of operation of the Parking System, and other Pledged Revenue sources, including particularly the University's enrollment, the degree of use and rates charged for the use of, and the insurance on, the Parking System and the status of the several accounts and funds established in this Resolution.

(B) Should the University fail to comply with subsection (A) of this section, upon request of at least 5% of the Bondholders an audit shall be completed by a certified public accountant or firm of certified public accountants. The cost of this audit shall be borne by the University.

ARTICLE VII
REMEDIES

SECTION 7.01. ENFORCEABILITY BY BONDHOLDERS. (A) This Resolution, including the pledge of the Pledged Revenues, shall be deemed to have been made for the benefit of the Holders from time to time of the Bonds, as defined herein, and that such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Holder or Holders of such Bonds, against either the Board of Regents 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 Regents does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Holder or Holders 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 his or her or 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 Holders of the Bonds, or any trustee acting for the Holders 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 Regents, the University, or the Board of Administration, or by any officer thereof, including the payment of the Pledged Revenues payable under this Resolution. Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on the Parking System or any other facility or funds of the University, or the Board of Regents, or the Division of Bond Finance.

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 Bondholders; provided, however, the Board of Regents may lease, from time to time, to other tenants such portion or portions of the Parking System as are not needed by the Board of Regents, to the extent that any such lease would not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 8.02. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second and third paragraphs of this Section 8.02, no material 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 Holders of more than fifty percent (50%) 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 Holders of more than fifty percent (50%) in principal amount of the Bonds of each Series 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 Holders of Bonds required above for such modification or amendments, without the consent of the Holders of all the Bonds.

For purposes of this section, 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 issuance and delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Holders of such Series.

The Resolution may be amended, changed, modified and altered without the consent of the Holders 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 adversely affect the interest of such Holder 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 of Bond Finance or the Board of Regents in this Resolution, other covenants and agreements to be observed by the Division of Bond Finance or the Board of Regents 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 of Bond Finance or the Board of Regents 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 of Bond Finance and the Board of Regents to comply with their covenants, agreements and obligations under Section 6.05 hereof, (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 adversely affect the interests of the Bondholders, and (x) to amend or modify any provisions of this Resolution so long as such amendment or modification does not adversely affect the interests of the Bondholders.

SECTION 8.03. 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 8.04. BONDS NOT STATE OBLIGATION. Notwithstanding any of the other provisions of this Resolution, the Bonds are not an obligation, directly or indirectly, of the State and no Holder of the Bonds shall have the right to compel or require any appropriation by the Legislature of the State for payment of the Pledged Revenues due under this Resolution, or for the payment of the principal of or interest on the Bonds, or the making of any other payments provided for in this Resolution from State tax revenues.

The Bonds shall be revenue bonds, within the meaning of Section 11(d) of Article VII of the Florida Constitution, and shall be payable solely from funds derived directly from sources other than State tax revenues.

SECTION 8.05. 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 Holder thereof, all liability of the Board of Regents to the Holder 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 Holder of such Bonds, 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 Holders of such Bonds for seven (7) 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 8.06. DEFEASANCE. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

(A) By paying the principal of and interest on the 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 the 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 said 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 the 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 said 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 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 Regents and Division of Bond Finance with respect to said Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled for 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 Regents or the Board of Administration may use the amount of such excess 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 Regents 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 Regents or Division of Bond Finance in determining whether to exercise any such option for early redemption.

SECTION 8.07. INSURANCE. The Board of Regents will carry such insurance on the Parking System as is required by the State or is ordinarily and customarily carried on similar systems as the Parking System with a reputable insurance carrier or carriers, including public liability insurance and such other insurance against loss or damage by fire, explosion, hurricane, cyclone or other hazards and risks, or the Board of Regents may establish certain minimum levels of insurance for which the Board of Regents may self-insure.

SECTION 8.08. BOND ANTICIPATION NOTES. Notwithstanding any other provision of this Resolution, if the Division of Bond Finance shall deem it advisable, short-term obligations (hereinafter "Notes") are hereby authorized to be issued by the Division of Bond Finance on behalf of the Board of Regents in anticipation of the sale and delivery of the 1994 Bonds. The Notes shall be payable from the proceeds received from the sale of the 1994 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 $6,000,000), in the form, may bear interest at the lawful rate or rates payable on such dates (not to exceed five (5) years from the date of issue) and may be subject to such conditions and terms as the Division of Bond Finance shall deem necessary or desirable in connection with such Notes, all as shall be provided by resolution of the Division of Bond Finance adopted at or before sale of the Notes, in accordance with Section 215.68(7), Florida Statutes.

SECTION 8.09. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) computing the amount of the Maximum Annual Debt

Service and of Bonds held by the Registered Owner of a Capital Appreciation Bond in 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 8.10. 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 Bondholders 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.

SECTION 8.11. FISCAL AGENT. Upon sale and delivery of the 1994 Bonds by the Division of Bond Finance on behalf of the Board of Regents, the Board of Administration shall act as the fiscal agent for the Board of Regents with respect to the 1994 Bonds.

SECTION 8.12. ANNUAL BUDGETS. The Board of Regents shall annually, at least ninety (90) days preceding the beginning of each Fiscal Year, or at any other time as requested by the Board of Administration, prepare a detailed budget providing reasonable estimates of the estimated Current Expenses of the University during the succeeding Fiscal Year and setting forth the amount to be deposited in the Parking System Maintenance and Equipment Reserve Fund. The budget shall be adopted by the Board of Regents and shall not be changed during the Fiscal Year except by the same procedure by which it was adopted. Copies of the annual budget and any changes therein shall be filed with the Board of Administration and, upon request, mailed to any Bondholder. The Board of Regents shall request sufficient funds in the annual budget adopted as required in this section to provide the payment of all Administrative Expenses, Current Expenses, and amounts required to be deposited in the Parking System Maintenance and Equipment Reserve Fund as set forth herein.

SECTION 8.13. VALIDATION AUTHORIZED. The attorneys for the Division of Bond Finance are hereby authorized to institute proceedings to validate the 1994 Bonds, pursuant to Chapter 75, Florida Statutes.

SECTION 8.14. 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, be and the same are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies.

SECTION 8.15. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED July 26, 1994.

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APPENDIX C

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

**A RESOLUTION
(THE FIRST SUPPLEMENTAL RESOLUTION)
AUTHORIZING THE ISSUANCE OF
NOT EXCEEDING $13,700,000
STATE OF FLORIDA, FLORIDA BOARD OF EDUCATION,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS, SERIES 2002**

JUNE 12, 2002

A RESOLUTION (THE FIRST SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE OF NOT EXCEEDING $13,700,000 STATE OF FLORIDA, FLORIDA BOARD OF EDUCATION, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE BONDS, SERIES 2002, TO FINANCE THE CONSTRUCTION OF A PARKING FACILITY AT THE CAMPUS OF UNIVERSITY OF SOUTH FLORIDA, SUCH BONDS TO BE ISSUED PURSUANT TO THE TERMS AND CONDITIONS OF A RESOLUTION ADOPTED ON JULY 26, 1994 ENTITLED "A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $6,000,000 STATE OF FLORIDA, BOARD OF REGENTS, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE BONDS, SERIES 1994, ETC".; CANCELING THE AUTHORITY FOR THE UNISSUED PORTION OF SUCH SERIES 1994 BONDS; PROVIDING FOR CERTAIN COVENANTS IN CONNECTION THEREWITH; AMENDING SECTIONS 1.02 AND 6.02 OF THE ORIGINAL RESOLUTION; 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 ON BEHALF OF AND IN THE NAME OF THE FLORIDA BOARD OF EDUCATION.

ARTICLE I
DEFINITIONS, AUTHORITY AND 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 to the 2002 Bonds (as defined herein).

"2002 Bonds" means the State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002.

"2002 Project" means the construction of a parking facility (Parking Structure II) on the campus of the University of South Florida as previously approved by the Legislature, subject to any deletions, modifications, or substitutions deemed necessary and expedient and approved by resolution of the Board of Education. The 2002 Project is expected to be approved by the Board of Education on or before June 19, 2002.

"2002 Project Construction Fund" means a trust fund held by the State Treasurer in which shall be deposited the net proceeds of the 2002 Bonds and other available moneys for the construction of the 2002 Project.

"Board of Education" means the Florida Board of Education, a body corporate, established pursuant to Chapter 229, Florida Statutes, as amended, which corporate body was the recipient transferee of certain powers, duties, and existing contracts, of the Board of Regents, which latter board was abolished on July 1, 2001, by Section 3 of the Reorganization Act. On January 7, 2003, pursuant to Chapter 2002-387, Laws of Florida, the Board of Education will become the State Board of Education authorized by Article IX, Section 2 of the Florida Constitution.

"Board of Regents" means the Board of Regents of the Division of Universities of the State of Florida Department of Education, as originally created pursuant to the provisions of Chapter 240, Florida Statutes, and subsequently abolished by Section 3 of the Reorganization Act.

"Completion Bonds" means those bonds issued pursuant to Section 5.04 of the Original Resolution to pay the cost of completing the 2002 Project.

"First Supplemental Resolution" means this resolution authorizing the issuance of the 2002 Bonds.

"Original Resolution" means the resolution adopted on July 26, 1994 by the Governor and Cabinet as the Governing Board of the Division of Bond Finance authorizing the issuance of the Bonds.

"Parking System" means the facilities enumerated in the Original Resolution, as amended herein, and the 2002 Project.

"Project Costs" means the actual costs of the 2002 Project, including costs of 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 2002 Project; interest on the 2002 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 Education necessary to the construction and placing in operation of the 2002 Project and the financing thereof.

"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.

"Reorganization Act" means Chapter 2001-170, Florida Statutes, which, *inter alia*, transferred the powers, duties, and existing contracts of the Board of Regents to the Board of Education.

"State Board of Education" means the corporate body identified in Article IX, Section 2 of the Florida Constitution as the state board of education. In accordance with Chapter 2002-387, Laws of Florida, effective January 7, 2003, the Florida Board of Education will become the State Board of Education and as such will be responsible for all existing bond obligations of the Florida Board of Education and its predecessor, the Board of Regents. By such law, the State Board of Education will have all powers necessary to carry out and effectuate the issuance of bonds pursuant to Article VII, Section 11(d), of the Florida Constitution.

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"); Chapters 229, 240, and 243, Florida Statutes; Chapter 2002-387, Laws of Florida; Section 5.01 of the Original Resolution; and other applicable provisions of law and is supplemental to the Original Resolution.

SECTION 1.03. FINDINGS. It is hereby found, determined, and declared as follows:

(A) The Board of Education is authorized to acquire, own, construct, operate, maintain, improve and extend public buildings and facilities for use by any of the several State universities, and to finance such improvements; and the Board of Education is further authorized to pay the principal of and interest on obligations issued on its behalf to finance the construction and acquisition of such improvements.

(B) The construction of the 2002 Project at the University is necessary, desirable and in the best interest of the University.

(C) The Board of Education is expected to adopt a resolution on or before June 19, 2002, requesting the Division of Bond Finance to take the necessary actions required for the issuance of the 2002 Bonds.

(D) The State at this time is without immediately available funds to make the capital outlay necessary for the construction of the 2002 Project.

(E) Pursuant to the State Bond Act, the Division of Bond Finance is authorized to issue the 2002 Bonds on behalf of the Board of Education to finance the 2002 Project.

(F) The 2002 Project shall be the construction of a parking structure substantially in accordance with the plans and specifications as may be approved by the Board of Education from time to time.

(G) As required by Article VII, Section 11(f) of the Florida Constitution, the Florida Legislature approved the 2002 Project during Special Session E of the 2002 Legislature in Section 11, Item 16 of Chapter 2002-394, Laws of Florida.

(H) The principal of and interest on the bonds to be issued pursuant to this First Supplemental Resolution, and all of the reserve, sinking fund and other payments provided for herein, will be payable solely from the revenues accruing to and to be received by the Board of Education or the University in the manner provided by this First Supplemental Resolution, consisting of the Pledged Revenues as hereinafter defined.

(I) The bonds to be issued pursuant to this First Supplemental Resolution will be secured on a parity as to the lien on the Pledged Revenues with the Outstanding Bonds.

(J) The bonds to be issued pursuant to this First Supplemental Resolution shall not constitute, directly or indirectly, a debt or a charge against the State of Florida or any political subdivision thereof, but shall be revenue bonds within the meaning of Article VII, Section 11(d), Florida Constitution, and shall be payable solely from funds derived directly from sources other than state tax revenues.

(K) The Division of Bond Finance, pursuant to the statutes and constitutional provisions herein cited, is authorized to issue the 2002 Bonds, on behalf of, and in the name of the Board of Education, subject to the terms, limitations and conditions contained in this First Supplemental Resolution.

(L) Pursuant to Sections 215.59 and 215.64, Florida Statutes, the Division of Bond Finance is authorized to issue revenue bonds on behalf of state agencies payable from funds derived directly from sources other than state tax revenues, without the vote of electors in the manner provided by law.

(M) The Original Resolution, in Section 5.01 of Article V thereof, provides for the issuance of Additional Parity Bonds under the terms, restrictions and conditions provided therein.

SECTION 1.04. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance by the Registered Owners of the 2002 Bonds, the Original Resolution as amended and supplemented by this First Supplemental Resolution shall be and shall constitute a contract among the Division of Bond Finance, the Board of Education, the University, and such Registered Owners. The covenants and agreements to be performed by the Board of Education 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 2002 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 Original Resolution and this First Supplemental Resolution.

ARTICLE II

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

SECTION 2.01. AUTHORIZATION OF 2002 BONDS. Subject and pursuant to the provisions of this First Supplemental Resolution and the Original Resolution, fully registered revenue bonds of the Board of Education to be known as "State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002" (or such other designation as may be provided by the Director of the Division) are hereby authorized to be issued by the Division of Bond Finance on behalf of the Board of Education in an aggregate principal amount not exceeding $13,700,000, for the purpose of financing the construction, furnishing and equipping of the 2002 Project as described herein.

SECTION 2.02. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION. The description, terms, redemption, execution, negotiability, registration, transfer, authentication, disposition, replacement, issuance, and form of the 2002 Bonds shall be governed by the provisions of Article II of the Original Resolution.

ARTICLE III
APPLICATION OF PROCEEDS

SECTION 3.01. CONSTRUCTION OF THE 2002 PROJECT. The Board of Education is authorized to construct the 2002 Project from the proceeds of the sale of the 2002 Bonds and other legally available funds, subject to the provisions of this First Supplemental Resolution and the applicable laws of Florida.

SECTION 3.02. APPLICATION OF 2002 BOND PROCEEDS. (A) Upon receipt of the proceeds of the sale of the 2002 Bonds, and after reserving an amount sufficient to pay all costs and expenses incurred in connection with the preparation, issuance and sale of the 2002 Bonds, including a reasonable charge for the Division of Bond Finance's services, including arbitrage compliance program set-up, the Division of Bond Finance shall transfer and deposit the remainder of the 2002 Bond proceeds as follows:

(1) An amount which, together with other moneys available therefor and on deposit in the Reserve Account is equal to the Reserve Requirement, shall be transferred to the Board of Administration and deposited into the Reserve Account in the Sinking Fund to be used solely for the purpose of the Reserve Account. Alternatively, the Board

of Education, as provided in Section 4.02(B) 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.

(2) 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 2002 Bonds.

(3) After making the transfers provided for in subsections (1) and (2) above, the balance of the proceeds of the 2002 Bonds shall be transferred to and deposited into the 2002 Project Construction Fund, which is hereby created in the State Treasury.

Any unexpended balance remaining in the 2002 Project Construction Fund, after a consulting architect shall certify that the 2002 Project has been completed and all costs thereof paid or payment provided for, shall be deposited in the Sinking Fund created by the Original Resolution.

In addition to the aforementioned proceeds of the 2002 Bonds, the Board of Education covenants that it will deposit into the 2002 Project Construction Fund additional funds legally available for the purposes of such Fund which, together with the proceeds of the 2002 Bonds, will be sufficient to finance the total 2002 Project Costs. Any such additional funds, other than the proceeds of the 2002 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 First Supplemental Resolution.

All moneys in said 2002 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 2002 Bonds issued pursuant to this First Supplemental Resolution, until such funds are applied as provided herein, except to the extent such moneys are required for the payment of any Rebate Amount. All moneys in the 2002 Project Construction Fund 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 2002 PROJECT CONSTRUCTION FUND. Any moneys in the 2002 Construction Fund not immediately needed for the purposes provided in this First Supplemental Resolution, may be temporarily invested and reinvested as provided in Section 18.10, Florida Statutes.

ARTICLE IV
SECURITY FOR THE 2002 BONDS; COMPLETION BONDS

SECTION 4.01. 2002 BONDS ON A PARITY WITH THE OUTSTANDING BONDS. The 2002 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. BONDS SECURED BY ORIGINAL RESOLUTION. The 2002 Bonds shall be deemed to have been issued pursuant to the Original 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 2002 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 2002 Bonds.

SECTION 4.03. COMPLETION BONDS. The Board of Education and the Division of Bond Finance need not comply with Section 5.01 of the Original Resolution in the issuance of Completion Bonds, provided that the net proceeds of such Completion Bonds available for deposit into the 2002 Project Construction Fund for such costs shall be equal to or less than 20% of the original estimated cost of the 2002 Project at the time of the original issuance of the 2002 Bonds.

ARTICLE V
MISCELLANEOUS

SECTION 5.01. AMENDMENT OF ORIGINAL RESOLUTION. The Original Resolution is hereby amended as follows, effective upon compliance with the requirements of Section 8.02 of the Original Resolution. Language to be added to the Original Resolution is indicated by underlining, and language to be deleted from the Original Resolution is indicated by ~~strike-throughs~~.

(A) Section 1.02 of the Original Resolution is hereby amended as follows:

SECTION 1.02. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

. . .

"Code" shall mean the Internal Revenue Code of 1986, as amended, and temporary, proposed, or permanent implementing regulations promulgated thereunder.

. . .

"Parking System" shall mean (1) the University's existing parking facilities located in Tampa~~, St. Petersburg and Sarasota~~ Florida, ~~and if applicable, in Ft. Meyers and Lakeland~~, on the campus~~es~~ of the University; (2) the 1994 Project; and (3) such additional parking facilities as at some future date may be added to the Parking System by designation of the Board of Regents.

. . .

"Parking System Revenues" shall mean all fees, rentals or other charges and income related to parking, received by the University from students, faculty members, and others using or being served by or having the right to use, or having the right to be served by, the Parking System, and all parts thereof, and specifically including, without limiting the generality of the foregoing, transportation access fees, parking decal fees ~~sales~~, parking meter collections, ~~and~~ citation collections, fines, special rental fees or other charges for parking services or parking space provided by the University.

(B) Section 6.02 of the Original Resolution is hereby amended to simplify certain covenants regarding Pledged Revenues as follows:

SECTION 6.02. PLEDGED REVENUE COVENANTS. The Board of Education ~~Regents~~ covenants:

. . .

(C) That it will from time to time recommend, fix and include in its budgets such revisions to ~~in~~ the ~~amounts of~~ rentals, fees, and other charges ~~to be levied upon and collected from each person using the facilities of the Parking System~~ which will produce Parking Systems Revenues ~~sums~~ sufficient to pay, when due, the amounts required ~~requirements as set forth~~ under this Resolution.

(D) That it will continue to collect the ~~fines, fees, rentals and other amounts charged all students, faculty members and tenants of the facilities of~~ Parking System Revenues at the rates which are in effect at any particular time.

SECTION 5.02. RESOLUTION NOT ASSIGNABLE. This First Supplemental Resolution shall not be assignable by the Division of Bond Finance or the Board of Administration, except for the benefit of the Registered Owners; provided, however, the Board of Education may lease, from time to time, to other tenants such portion or portions of the Parking System as are not needed by the Board of Education, to the extent that any such lease would not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 5.03. MODIFICATION OR AMENDMENT. Modification or amendment hereof shall be governed by Section 8.02 of the Original Resolution.

SECTION 5.04. CONTINUING DISCLOSURE. (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board of Education hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Director of the Division of Bond Finance, in conjunction with the appropriate officer of the Board of Education, is authorized and 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.

SECTION 5.05. 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 bonds issued hereunder 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 bonds issued hereunder.

SECTION 5.06. FISCAL AGENT. Upon the sale and delivery of the 2002 Bonds by the Division of Bond Finance on behalf of the Board of Education, the Board of Administration shall act as the fiscal agent for the Board of Education with respect to the 2002 Bonds.

SECTION 5.07. VALIDATION AUTHORIZED. The attorneys for the Division of Bond Finance are hereby authorized to institute proceedings to validate the 2002 Bonds pursuant to Chapter 75, Florida Statutes.

SECTION 5.08. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this First Supplemental Resolution, to the extent that they are inconsistent with this First Supplemental Resolution, be and the same are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies. The authority for the issuance and delivery of the unissued portion of the State of Florida, Board of Regents, University of South Florida Parking Facility Revenue Bonds, Series 1994, is hereby canceled.

SECTION 5.09. 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 5.10. EFFECTIVE DATE. This First Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED on June 12, 2002.

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A RESOLUTION (THE SECOND SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FLORIDA EDUCATION SYSTEM, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE BONDS, SERIES 2004A; CANCELING THE AUTHORITY FOR UNISSUED PREVIOUSLY AUTHORIZED BONDS; AMENDING THE ORIGINAL RESOLUTION, 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 AND AUTHORITY

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 2004A Bonds (as defined herein).

"**1994 Bonds**" means the $4,935,000 State of Florida, Board of Regents, University of South Florida Parking Facility Revenue Bonds, Series 1994.

"2002 Bonds" means the $12,700,000 State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002.

"2004A Bonds" means the not exceeding $12,500,000 State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A authorized by this Second Supplemental Resolution.

"2004A Project" means the construction of a parking facility on the Tampa campus of University of South Florida, as approved by the Board and the Legislature.

"2004A Project Construction Fund" means a trust fund held in the State Treasury, in which shall be deposited the net proceeds of the 2004A Bonds and other available moneys for the construction of the 2004A Project.

"2004A Project Costs" means the actual costs of the 2004A Project, including costs of 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 2004A Project; interest on the 2004A Bonds for a reasonable period after the 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 necessary to the construction and placing in operation of the 2004A Project and the financing thereof.

"Assistant Secretary" means an Assistant Secretary of the Division of Bond Finance.

"Board" means the State Board of Education and the Board of Governors, or, if and when so designated by law, that agency of the State authorized to issue bonds on behalf of the University.

"Board of Governors" means the Board of Governors of the State of Florida, a body corporate, established pursuant to Article IX, Section 7, Florida Constitution, and includes any other entity succeeding to the powers thereof.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or its successor.

"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.

"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 pursuant to Section 5.04 of the Original Resolution to pay the cost of completing the 2004A Project.

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

"Original Resolution" means the resolution adopted on July 26, 1994 by the Governor and Cabinet as the Governing Board of the Division of Bond Finance authorizing the issuance of the Bonds, as amended on June 12, 2002 and by this Second Supplemental Resolution, and as may be further amended from time to time.

"**Outstanding Bonds**" means the Outstanding 1994 Bonds and the Outstanding 2002 Bonds.

"Parking System" means the facilities enumerated in the Original Resolution, the 2002 Project, the 2004A Project and such additional facilities as at some future date may be added to the Parking System.

"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.

"Second Supplemental Resolution" means this resolution authorizing the issuance of the 2004A Bonds.

"State Board of Education" means the Florida State Board of Education, a body corporate, established pursuant to Article IX, Section 2, Florida Constitution, and includes any other entity succeeding to the powers thereof.

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 Second Supplemental Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 1010.60-1010.619, Florida Statutes, Sections 215.57-215.83, Florida Statutes (the "State Bond Act"), and other applicable provisions of law, and pursuant to the Original Resolution, and is supplemental to said Original Resolution.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the 2004A Bonds by those who shall hold the same from time to time, this Second Supplemental Resolution and the Original Resolution shall be deemed to be and shall constitute a contract among the Division of Bond Finance, the Board, the University and such Registered Owners. The covenants and agreements to be performed by the Board 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 2004A 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 in the Original Resolution and this Second Supplemental Resolution.

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

SECTION 2.01. AUTHORIZATION OF 2004A BONDS. Subject and pursuant to the provisions of this Second Supplemental Resolution and the Original Resolution, fully registered revenue bonds of the Board to be known as "State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A" (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 $12,500,000, for the purpose of financing the construction, furnishing and equipping of the 2004A Project as described herein.

SECTION 2.02. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION. Except as otherwise provided in this Second Supplemental Resolution, the terms, description, execution, negotiability, registration, transfer and issuance of the 2004A Bonds shall be governed by the provisions of Article II of the Original Resolution. The form of the 2004A Bonds shall be governed by Section 2.03 of this Second Supplemental Resolution.

The Series 2004A Bonds shall be executed on behalf of the Board by the Chair of the State Board of Education and the Chair of the Board of Governors, or, in either case, by such other authorized persons. The Commissioner of Education, or such other authorized person, shall attest to the above signatures. The corporate seal, or facsimile thereof, of the Division of Bond Finance, the State Board of Education, or the Board of Governors may be affixed to or reproduced on the face of the 2004A Bonds. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the 2004A 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 2004A Bonds, provided that at least one signature, which may be that of the Bond Registrar/Paying Agent, required to be placed on the Series 2004A Bonds shall be manually subscribed.

A certificate as to the approval of the issuance of the 2004A Bonds pursuant to the provisions of the State Bond Act, in the form provided herein, shall be executed by the facsimile signature of the Secretary of the division of bond Finance.

SECTION 2.03. FORM OF 2004A BONDS. The text of the 2004A Bonds, together with the certificate of authentication to be endorsed thereon, shall be substantially of the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Second Supplemental Resolution or any subsequent resolution adopted prior to the issuance thereof, or as may be necessary to comply with applicable laws, rules, and regulations of the United States Government and the State of Florida in effect upon the issuance thereof:

[FORM OF BOND INTENTIONALLY OMITTED]

ARTICLE III
APPLICATION OF PROCEEDS

SECTION 3.01. CONSTRUCTION OF THE 2004A PROJECT. The Board is authorized to construct the 2004A Project from the proceeds of the sale of the 2004A Bonds and other legally available funds, subject to the provisions of this Second Supplemental Resolution and the applicable laws of Florida.

SECTION 3.02. APPLICATION OF 2004A BOND PROCEEDS. (A) Upon receipt of the proceeds of the sale of the 2004A Bonds, and after reserving an amount sufficient to pay all costs and expenses incurred in connection with the preparation, issuance and sale of the 2004A 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, the Division of Bond Finance shall transfer and deposit the remainder of the Series 2004A Bond proceeds as follows:

(1) An amount which together with other moneys available therefor and on deposit in the Reserve Account is equal to the Reserve Requirement, shall be transferred to the Board of Administration and deposited into the Reserve Account in the Sinking Fund to be used solely for the purpose of the Reserve Account. Alternatively, the Division of Bond Finance, as provided in Section 4.02(B) 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 the Reserve Account.

(2) 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 2004A Bonds.

(3) After making the transfers provided for in subsections (1) and (2) above, the balance of the proceeds of the 2004A Bonds shall be transferred to and deposited into the 2004A Project Construction Fund, which is hereby created in the State Treasury.

(B) Any unexpended balance remaining in the 2004A Project Construction Fund, after a consulting architect shall certify that the 2004A 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 Parking System (as defined in the Original Resolution), provided that such application of does not result in a violation of Section 6.04 of the Original Resolution, or (ii) deposited in the Sinking Fund.

(C) In addition to the aforementioned proceeds of the 2004A Bonds, the Board covenants that it will deposit into the 2004A Project Construction Fund additional funds legally available for the purposes of such fund which, together with the proceeds of the 2004A Bonds, will be sufficient to finance the total 2004A Project Costs. Any such additional funds, other than the proceeds of the 2004A Bonds or Completion Bonds, shall be derived from sources and in a manner which will not jeopardize the security of the 2004A Bonds issued pursuant to this Second Supplemental Resolution.

(D) All moneys in said 2004A 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 2004A Bonds issued pursuant to this Second Supplemental 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 2004A PROJECT CONSTRUCTION FUND. Any moneys in the 2004A Construction Fund not immediately needed for the purposes provided in this Second Supplemental Resolution, may be temporarily invested and reinvested as provided in Section 17.57, Florida Statutes.

ARTICLE IV
SECURITY FOR THE 2004A BONDS; COMPLETION BONDS

SECTION 4.01. 2004A BONDS ON A PARITY WITH THE OUTSTANDING BONDS. The 2004A 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. BONDS SECURED BY ORIGINAL RESOLUTION. The 2004A Bonds shall be deemed to have been issued pursuant to the Original 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 2004A Bonds as fully and to the same extent as to 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 Second Supplemental Resolution to the same extent as if incorporated verbatim in this Second Supplemental Resolution, and shall be fully enforceable in the manner provided in the Original Resolution by any of the Registered Owners of the 2004A Bonds.

SECTION 4.03. COMPLETION BONDS. The Board and the Division of Bond Finance need not comply with Section 5.01 of the Original Resolution in the issuance of Completion Bonds, provided that the net proceeds of such Completion Bonds available for deposit into the 2004A Project Construction Fund for such costs shall be equal to or less than 20% of the original estimated cost of the 2004A Project at the time of the original issuance of the 2004A Bonds.

ARTICLE V
MISCELLANEOUS; AMENDMENT OF ORIGINAL RESOLUTION

SECTION 5.01. RESOLUTION NOT ASSIGNABLE. This Second Supplemental Resolution shall not be assignable by the Division of Bond Finance or the Board of Administration, except for the benefit of the Registered Owners; provided, however, the Board may lease, from time to time, to other tenants such portion or portions of the Parking System as are not needed by the Board, to the extent that any such lease would not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

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) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Director of the Division of Bond Finance, in conjunction with the appropriate officer of the Board, is authorized and 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.

SECTION 5.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Second 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 Second Supplemental Resolution or of the Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Second Supplemental Resolution or of the 2004A Bonds issued hereunder.

SECTION 5.05. FISCAL AGENT. Upon the sale and delivery of the 2004A Bonds by the Division of Bond Finance, the Board of Administration shall act as the fiscal agent for the Board with respect to the 2004A Bonds.

SECTION 5.06. VALIDATION AUTHORIZED. The attorneys for the Division of Bond Finance are hereby authorized to institute proceedings to validate the 2004A Bonds pursuant to Chapter 75, Florida Statutes.

SECTION 5.07. AMENDMENT OF ORIGINAL RESOLUTION. The Original Resolution is amended as follows. Language to be added to the Original Resolution is indicated by underlining, and language to be deleted from the Original Resolution is indicated by ~~strike-throughs~~.

(A) Section 1.01 of the Original Resolution is hereby amended as follows:

> **SECTION 1.01. DEFINITIONS.** The following terms shall have the following meanings in this Resolution unless the text otherwise requires:
>
> . . .
>
> **"Outstanding"** shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except:
>
> . . . .
>
> (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).

(B) Section 7.01 of the Original Resolution is amended by adding Subsection (C) thereto, as follows:

> (C) For purposes of exercising remedies pursuant to this section, the issuer of a Bond Insurance Policy for Bonds issued after August 10, 2004, 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.

(C) Section 8.06 of the Original Resolution is amended by adding Subsection (G) thereto as follows:

> **SECTION 8.06 DEFEASANCE.**
>
> . . .
>
> (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 5.08. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Second Supplemental Resolution, to the extent that they are inconsistent with this Second Supplemental Resolution, be and the same are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies. The authority for the issuance and delivery of the unissued portion of the State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, is hereby canceled.

SECTION 5.09. SUCCESSOR AGENCIES AND OFFICIALS. Any references in the Resolution to offices, bodies, or agencies which have been or are superceded, 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 superceded, replaced, or abolished shall be taken by the successor to such official.

SECTION 5.10. CONFIRMATION OF ORIGINAL RESOLUTION. As amended and supplemented by this Fourth Supplemental Resolution, the Original Resolution is in all respects ratified and confirmed, and this Fourth Supplemental Resolution shall be read, taken, and construed as a part of the Original Resolution.

SECTION 5.11. EFFECTIVE DATE. This Second Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED on August 10, 2004.

APPENDIX E

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

A RESOLUTION
(THE FIFTH SUPPLEMENTAL RESOLUTION)
AUTHORIZING THE ISSUANCE AND SALE OF STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED)

August 2, 2016

A RESOLUTION (THE FIFTH SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE AND SALE OF STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED); REFUNDING ALL OR A PORTION OF 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

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).

"2002 Bonds" means the $12,700,000 State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002.

"2004A Bonds" means the $16,000,000 State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A.

"2006A Bonds" means the $17,020,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A.

"Assistant Secretary" means an Assistant Secretary of the Division.

"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.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or its successor.

"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 selects another date on which to end a Bond Year in the manner permitted by the Code.

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

"Director" means the Director of the Division or any Assistant Secretary delegated authority by the Director.

"Division" means the Division of Bond Finance of the State Board of Administration of Florida.

"Fifth Supplemental Resolution" means this resolution authorizing the issuance and competitive sale of the Refunding Bonds.

"Governing Board" means the Governor and Cabinet of the State of Florida as the governing board of the Division.

"Original Resolution" means the resolution adopted on July 26, 1994 by the Governing Board, authorizing the issuance of the Bonds, as amended by the First Supplemental Resolution adopted on June 12, 2002, and by the Second Supplemental Resolution adopted on August 10, 2004, and as may be further amended from time to time.

"Outstanding Bonds" means the Outstanding 2002 Bonds, the Outstanding 2004A Bonds, and the Outstanding 2006A Bonds.

"Parking System" means the University's existing parking facilities located in Tampa, Florida, on the campus of the University and such additional facilities as at some future date may be added to the Parking System.

"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.

"Refunded Bonds" means all or a portion of the Outstanding Bonds.

"Refunding Bonds" means the State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series (to be determined) authorized by this Fifth Supplemental Resolution.

"Resolution" means the Original Resolution, as supplemented and amended through the date of this resolution.

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 Fifth Supplemental Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Section 215.57-215.83 (the "State Bond Act"); Section 1010.62, Florida Statutes, and other applicable provisions of law; and Section 5.01 of 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 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 Original Resolution, as amended and supplemented through the date of this Fifth Supplemental Resolution.

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 to be known as "State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series (to be determined)" (or such other designation as may be determined by the Director), are hereby authorized to be issued and sold at competitive sale by the Division in an aggregate principal amount not exceeding $25,000,000 on a date and at the time to be determined by the Director. The Refunding Bonds shall be sold to refund the Refunded Bonds. The Refunding Bonds may be combined with, designated the same as, and sold with any other series of University of South Florida Parking Facility 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 and proposal for sale is hereby ratified.

(D) The Director is hereby authorized to prepare and distribute preliminary and final official statements in connection with the public offering of the Refunding Bonds. The Director is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement 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 the final official statement in connection with the public 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 the final official statement and that the final official statement is complete as of its date.

(E) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 copies (plus such additional copies as may be requested by the successful bidder at the expense of the successful bidder) of the final official statement relating to the public offering of the Refunding Bonds printed and distributed; 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 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 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 Fifth 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) U.S. Bank Trust National Association, or its successor, is hereby designated as Bond Registrar/Paying Agent for the Refunding Bonds 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 Fifth 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. The Refunding Bonds shall be payable at the corporate trust office of U.S. Bank Trust National Association, New York, New York, or its successor.

(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) The incremental increase in the Reserve Requirement, if any, attributable to the Refunding Bonds shall be 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. The incremental increase, if any, in the Reserve Requirement attributable to the Refunding Bonds shall be deposited in the Reserve Account which was created pursuant to Section 4.02(B) of the Original Resolution. Amounts on deposit 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 Reserve Account, and shall be applied in the manner provided in the Original Resolution.

Notwithstanding the provisions of the Original Resolution, the Reserve Account for the Refunding Bonds authorized by this Fifth 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 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 Fifth 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 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 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 AGENTS. 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 Fifth 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.

SECTION 2.04. FORM OF REFUNDING BONDS.

(A) Notwithstanding anything to the contrary in the Resolution, or any other resolution related to the Refunding Bonds, the Refunding 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 Refunding Bonds is maintained in accordance herewith, any provision of the Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Resolution shall be deemed to give full effect to such book-entry system.
If the Refunding Bonds are issued in book-entry only form:

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

(2) Transfers of beneficial ownership of the Refunding 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 Refunding Bonds. Beneficial ownership interests in the Refunding 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 Refunding 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 Refunding Bonds. Transfers of ownership interests in the Refunding 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 Refunding Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Refunding 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 the 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 Refunding Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Refunding 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 Refunding 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 Refunding 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 Refunding Bonds; or

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

(6) The requirements in the Resolution of holding, delivering or transferring Refunding 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 Refunding Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Refunding Bonds shall, while the Refunding 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 Refunding Bonds in the form of fully registered bonds to each Beneficial Owner.

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 the Division shall transfer and apply such proceeds as follows:

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

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

(C) An amount necessary to fund the incremental increase in the Reserve Requirement, if any, attributable to the Refunding Bonds, to be held in reserve, shall be transferred to the Board of Administration and deposited in the Reserve Account within the Sinking Fund. Alternatively, the Division, 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 Reserve Account.

(D) An amount together with the interest earnings thereon, and other amounts deposited therein which is anticipated to be sufficient to pay when due (1) the principal amount of the Refunded Bonds, (2) the amount of interest and redemption premium payable on the Refunded Bonds, and (3) the amount of fees and expenses estimated to be incurred in connection with the payment and retirement of the Refunded Bonds, shall be either transferred 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.

(E) Any balance of the proceeds of the Refunding Bonds after providing for the requirements of subsections (A) through (D) 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 payments from the Pledged Revenues and in all other respects, with the other 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 Fifth 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, as amended and supplemented, 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, as amended and supplemented, except to the extent inconsistent herewith, shall be deemed to be part of this Fifth Supplemental Resolution to the same extent as if incorporated verbatim in this Fifth Supplemental Resolution, and shall be fully enforceable in the manner provided in the Original Resolution, as amended and supplemented, by any of the Registered Owners of the Refunding Bonds.

ARTICLE V
MISCELLANEOUS

SECTION 5.01. RESOLUTION NOT ASSIGNABLE. This Fifth Supplemental Resolution shall not be assignable by the Division or the Board of Administration, except for the benefit of the Registered Owners; provided, however, the Board may lease, from time to time, to other tenants such portion or portions of the Parking System as are not needed by the Board, to the extent that any such lease would not adversely affect the Pledged Revenues or the exclusion of interest on any tax-exempt Bonds from gross income for federal income tax purposes.

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) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board 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, is authorized and 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 Fifth 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 Fifth 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 Fifth 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, the Board of Administration shall act as the fiscal agent for the Board 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 Fifth Supplemental Resolution are hereby amended by this Fifth Supplemental Resolution, but only to the extent of any such inconsistency. The authority for the issuance and delivery of the unissued portion of any previously authorized University of South Florida Parking Facility Revenue Bonds 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 superceded, 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 superceded, replaced, or abolished shall be taken by the successor to such official.

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

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

ADOPTED on August 2, 2016.

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THE UNIVERSITY OF SOUTH FLORIDA[1]
Tampa, Florida

Overview

The University of South Florida ("University" or "USF") is a high-impact, global research university located in Tampa Bay on the west coast of Florida. USF is one of the largest public universities in the nation, and among the top 50 universities, public or private, for federal research expenditures. The University is one of only four Florida public universities classified by the Carnegie Foundation for the Advancement of Teaching in the top tier of research universities, a distinction attained by only 2.3 percent of all universities.

At the heart of USF is a vibrant, diverse and engaged student body. Serving more than 49,000 students, the USF System has an annual budget of $1.6 billion and an annual economic impact of $4.4 billion. The USF System includes three separately accredited institutions by the Commission on Colleges of the Southern Association of Colleges and Schools: USF; USF St. Petersburg; and USF Sarasota-Manatee. The University's main Tampa location is home to USF Health, including the Colleges of Medicine, Nursing, Public Health and Pharmacy.

USF offers over 240 degree programs at the undergraduate, graduate, specialty and doctoral levels, including the doctor of medicine. More than 2,000 distinguished scholars, researchers and expert teachers, nearly all holding PhDs or the highest degrees in their fields, make up the USF faculty – including the 2012 U.S. Professor of the Year. During the 2015-2016 academic year, USF awarded 9,349 bachelor's degrees, 3,195 master's degrees and 712 specialty and doctoral degrees. In its 60-year history, USF has awarded a total of 350,645 degrees and has more than 100,000 alumni living in the Tampa Bay area.

USF is a member of the American Athletic Conference, with 17 men's and women's varsity teams competing at the NCAA-level. New facilities for practice and competition, along with a completely renovated USF Sun Dome, put the University's athletic facilities on par with virtually every top program in the country.

Governance

Effective January 7, 2003, a statewide Board of Governors was created pursuant to Article IX, Section 7(d), of the Florida Constitution to operate, regulate, control and be fully responsible for the management of the State University System. The Board of Governors defines the mission of each university and ensures the well-planned coordination and operation of the State University System. The Governor appoints fourteen members to the Board of Governors for staggered seven year terms. The appointed members are subject to confirmation by the Senate. The Commissioner of Education, the chair of the Advisory Council of Faculty Senates and the president of the Florida Student Association also serve as members.

Each university is directly governed by a Board of Trustees ("Trustees"), consisting of thirteen members. The Boards of Trustees were created pursuant to Article IX, Section 7(c), of the Florida Constitution. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered five year terms. 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 the rules of the State Board of Education and the Board of Governors. The university President serves as the executive officer and corporate secretary of the Trustees and is responsible for all operations of the university. Other senior administrative officers of the universities are designated by the President. Generally, the Provost/Vice President for Academic Affairs assumes responsibility for the president during any absence and is the chief academic officer in the university organization. Other vice presidents have responsibility for specific areas within the organization. The deans of colleges and schools are responsible to the Provost for all matters relating to programs and personnel in their respective academic units.

The establishment of individual university boards of trustees has increased the individual institutions' control of their academic and fiscal affairs. While the exact structure of the new system continues to evolve, certain of the changes do provide the individual universities with greater fiscal autonomy and financial control.

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[1] Source: Information in Appendix F was provided by the University of South Florida.

Budget. Each university has control over its own budget, once State funds have been received.

Appropriations. The Florida Legislature retains control of the appropriations process.

Tuition. The State universities have been granted certain powers with regard to setting tuition and the right to retain their own tuition revenues. Still, tuition-setting power for in-state undergraduate students remains largely in the hands of the Legislature, with lawmakers determining the maximum allowable rates of tuition increase and universities setting the tuition within those limits. The ability for the University to set and collect a number of student service fees provides a meaningful offset to limitations regarding tuition.

Bonding Authority. Bond-issuing authority is granted to the State of Florida and its Division of Bond Finance; the University can also borrow through its certified direct support organizations, pursuant to statutes, pledging appropriate revenues.

Strategic Plan. The University of South Florida Board of Trustees adopts a strategic plan for the University for successive five year periods.

The following individuals serve on the Board of Trustees of the University of South Florida:

University Trustees	**Year Term Expires**
Brian D. Lamb, Chair	2020
Jordan B. Zimmerman, Vice Chair	2020
Mike Carrere	2021
James Garey	2017
Stephanie E. Goforth	2021
Scott L. Hopes	2018
Stanley I. Levy	2018
Harold W. Mullis, Esq.	2020
John B. Ramil	2021
Byron E. Shinn	2020
James Stikeleather	2021
Nancy H. Watkins	2020
Christopher Griffin, USF System Student Advisory Council President	2017

The following individuals serve as members of the University of South Florida System Administration:

Judy Genshaft, President
Ralph Wilcox, Provost and Executive Vice President
John Long, Senior Vice President and Chief Operating Officer
Charles Lockwood, Senior Vice President for USF Health
Paul Sanberg, Senior Vice President for Research, Innovation & Economic Development
Joel Momberg, Senior Vice President for University Advancement
Sophia Wisniewska, Regional Chancellor, USF St. Petersburg
Sandra Stone, Regional Chancellor, USF Sarasota-Manatee

Buildings and Other Capital Facilities

The University of South Florida's campuses in Tampa, St. Petersburg, and Sarasota-Manatee are comprised of 1,657 acres, 1,562 of which are located at the main campus in Tampa, including the USF Research Park. The University facilities consist of 295 buildings that exceed 11.6 million gross square feet.

Capital Improvement Plan

The table below shows the capital improvement projects planned for the University's Tampa Campus (TPA), St. Petersburg Campus (STP), and Sarasota-Manatee Campus (SM) over the next five fiscal years commencing with the 2015-2016 fiscal year, as well as the proposed funding sources for each project. A majority of these projects will be funded from Public Education Capital Outlay monies generated from the collection of Gross Receipts Taxes levied on utilities and telecommunications services. Various other funding sources, including private funds and the sale of bonds, provide monies to finance the other capital improvement projects listed.

Capital Improvement Projects

	Funding Sources		
Project	**Public Education Capital Outlay**	**Other Funding Sources**	**Total Project Cost**
TPA-Utilities / Infrastructure / Capital Renewal / Roofs	$ 55,000,000	-	$ 55,000,000
STP-Utilities / Infrastructure / Capital Renewal / Roofs	16,000,000	-	16,000,000
SM-Utilities / Infrastructure / Capital Renewal / Roofs	7,000,000	-	7,000,000
STP-College of Business	14,300,000	$10,000,000	24,300,000
TPA-USF Institute for Heart Health	15,755,000	15,000,000	30,755,000
TPA-Interdisciplinary Science Teaching & Research Facility	9,031,204	-	9,031,204
TPA-USF Health Morsani College of Medicine Facility	51,000,000	5,000,000	56,000,000
TPA-Cybersecurity/Data Center	36,000,000	-	36,000,000
SM-South Parcel I Renovations/Redevelopment	3,269,750	-	3,269,750
TPA-STEM Learning Center	49,194,568	-	49,194,568
TPA-STEM (Engineering Expansion)	75,153,898	-	75,153,898
TPA-USF Health Renovate Medical Research Lab Facility	46,417,950	-	46,417,950
TPA-USF Health Major Renovation/Addition Research Space	38,067,970	-	38,067,970
TPA-USF Health Ctr of Excellence-Diabetes&Autoimmune Disorders	39,844,400	-	39,844,400
TPA-Public Safety Building	29,394,500	-	29,394,500
TPA-CMC Remodeling (PHY)	16,000,000	-	16,000,000
TPA-FAH Renovation	17,002,790	-	17,002,790
TPA-Medical Research Bldg Renovation/Expansion Phase I	44,087,254	-	44,087,254
TPA-Classroom and Faculty Office Building	45,913,023	-	45,913,023
TPA-Graduate Social Sciences Research & Edu. Bldg Phase I	45,000,000	-	45,000,000
TPA-Cooper Hall Renovation	21,358,020	-	21,358,020
SM-Academic Facility II	20,995,000	-	20,995,000
TPA-Learning Information Center - Library	7,026,000	-	7,026,000
TPA-Undergrad Classroom and Support Building Phase I	7,500,000	-	7,500,000
TPA-Interdisciplinary Sciences Teaching & Research Facility II	8,100,000	-	8,100,000
STP-Classroom Building Phase I	2,000,000	-	2,000,000
SM-Acquisition and Renovation of Out Parcels	2,000,000	-	2,000,000
TPA-Graduate Social Sciences Research & Ed Bldg Phase II	5,327,000	-	5,327,000
TPA-Medical Research Bldg Renovation/Expansion Phase II	7,797,591	-	7,797,591
Parking Garage	-	20,000,000	20,000,000
Total	$ 735,535,918	$ 50,000,000	$ 785,535,918

Budgetary Process

The University of South Florida Board of Trustees is required to prepare and submit to the Florida Board of Governors for review an annual operating budget which represents the University's plan for utilizing the resources available through direct or continuing appropriation by the Legislature, student fees, and other local sources. The operating budget is prepared and submitted in accordance with the provisions of State Law, rules of the Florida Board of Governors, and the General Appropriations Act. Any new State resources are allocated to the University according to the priorities set by the president, as are any University-wide reductions. The University's operating budget is comprised of the following budget entities:

Educational and General. The University receives an allocation of educational and general resources from the Legislature for E&G operating activities only, including general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment-related and stand-alone operations of the University. The University allocates funds based on its strategic goals and initiatives according to the Strategic Plan. Allocations are distributed at the vice presidential and campus level for further distribution to the colleges, decentralized units, and departments within that vice presidential area or campus.

Student Activities and Other Student Fees. These budgets consist of planned expenditures funded from activity and service fees, health fees, technology fees and other student fees which the University is authorized by its Board of Trustees to charge its students. The budget is developed and approved in accordance with Section 1009.24, Florida Statutes.

Intercollegiate Athletics. This budget consists of planned expenditures funded from revenue sources including student athletic fees as authorized by subsection 1009.24(12), Florida Statutes, ticket sales, private contributions, sales and licensing, and concessions. The athletic director prepares and submits an operating budget to the University's Board of Trustees. If accepted, this budget is submitted to the Board of Governors for approval.

Student Financial Aid. This budget consists of planned expenditures funded from revenues received for loans, grants, scholarships and other student financial aid.

Contracts and Grants. This budget consists of planned expenditures funded from contracts and grants sponsored by various private businesses as well as the federal, state and local units of government. This budget also includes gifts and grants from private sources.

Auxiliary Enterprises. This budget consists of planned expenditures funded from revenues generated by self-supporting functions and service centers. Each auxiliary manager submits a budget request to the appropriate Vice President. If accepted, these requests are consolidated into the University's operating budget.

Concessions. This budget consists of planned expenditures from revenues generated from vending machines in each campus. On the Tampa Campus, each vice presidential area submits a budget request to the Executive Vice President. If accepted, these requests are consolidated into a Concessions Budget for all campuses based on the guidelines provided by the Board of Education. This budget is included in the overall budget that is approved by the University's Board of Trustees and submitted to the Board of Governors for approval.

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The University's operating budgets for the years indicated are shown in the table below.

Operating Budget

	Fiscal Years Ended June 30,				
Budget Entity	**2012**	**2013**	**2014**	**2015**	**2016**
Educational & General	$532,180,811	$482,422,974	$565,357,782	$602,245,409	$625,578,034
Contracts & Grants	380,000,000	386,434,278	383,665,532	336,004,629	333,053,364
Auxiliary Enterprises	194,081,004	169,285,660	190,695,580	198,303,911	195,318,698
Activity & Service Fees	17,795,897	16,883,215	17,966,257	19,479,405	17,882,692
Financial Aid	377,200,000	385,332,326	384,604,228	379,258,553	380,375,860
Concessions	817,083	657,291	638,195	457,717	673,272
Intercollegiate Athletics	37,725,695	37,166,658	37,557,269	39,644,749	39,522,918
Technology Fee	12,956,044	13,805,304	12,658,130	8,225,541	15,966,126
Green Fee	1,110,269	1,179,000	1,785,968	3,590,809	2,323,640
Other *	454,626,000	363,158,118	374,012,000	405,275,000	471,008,660
Total	$2,008,492,803	$1,856,324,824	$1,968,940,941	$1,992,485,723	$2,081,703,264

* Includes Direct Support Organizations, Faculty Practice Plan, and Capital Construction.

Sources of Revenue

The University's operating budget includes appropriated and non-appropriated funds. The Educational and General budget entity is appropriated. Non-appropriated funds include the Auxiliaries, Contracts & Grants, Financial Aid, Intercollegiate Athletics, Activity & Service Fees and Concessions budget entities. The following table shows the percentage of the University's total revenues represented by each revenue source for the past five fiscal years.

History of Current Revenue Sources
(All Campuses)

	Fiscal Years Ended June 30,				
Revenue Source	**2011**	**2012**	**2013**	**2014**	**2015**
State Appropriations	29.5%	28.4%	23.2%	27.0%	28.4%
Student Tuition and Fees	16.7%	20.6%	23.0%	22.3%	22.2%
Federal and State Student Financial Aid	11.5%	10.0%	9.8%	8.8%	8.1%
Private Gifts, Grants and Contracts	10.2%	10.6%	11.0%	10.5%	11.0%
Federal Grants and Contracts	15.9%	15.8%	16.7%	15.2%	14.8%
State and Local Grants and Contracts	1.7%	1.3%	1.8%	1.9%	1.8%
Noncapital Grants and Donations	0.0%	1.9%	1.8%	1.9%	2.2%
Auxiliary Enterprises	9.4%	10.0%	10.5%	9.3%	10.3%
Federal Stimulus Funds	2.0%	0.0%	0.0%	0.0%	0.0%
Other Sources	3.1%	1.4%	2.2%	3.1%	1.2%
Total Current Revenue Sources	100.0%	100.0%	100.0%	100.0%	100.0%

Appropriated Budget Entities. Educational & General is comprised of General Revenue, Student Fees and Other Fees (Tuition), the Educational Enhancement Trust Fund (Lottery) and the Federal Grants Trust Fund (Stimulus). General Revenue is primarily funded from sales, corporate income and beverage taxes. Lottery ticket sales provide funds for the Educational Enhancement Trust Fund. The Student Fee Trust Fund revenue is derived from student matriculation and out-of-state fees, and other miscellaneous revenues that include library fines, application fees, late registration fees and a portion of the indirect cost assessed to contract and grant activity. The following tables show the University's appropriations of Educational & General by each source for the past five fiscal years.

History of General Revenue Appropriations

Fiscal Year	University	USF Health	Total
2011-12	$210,578,457	$51,679,722	$262,258,179
2012-13	156,638,874	56,245,319	212,884,193
2013-14	209,958,654	62,405,926	272,364,580
2014-15	240,533,239	65,307,227	305,840,466
2015-16	256,913,613	64,895,473	321,809,086

History of Student Tuition Appropriations

Fiscal Year	University	USF Health	Total
2011-12	$173,162,662	$46,431,688	$219,594,350
2012-13	182,145,262	52,707,893	234,853,155
2013-14	198,244,574	54,895,487	253,140,061
2014-15	192,429,327	56,731,164	249,160,491
2015-16	200,309,680	57,743,893	258,053,573

History of Educational Enhancement Trust Fund (Lottery) Appropriations

Fiscal Year	University	USF Health	Total
2011-12	$33,644,440	$9,349,672	$42,994,112
2012-13	25,335,954	9,349,672	34,685,626
2013-14	30,503,469	9,349,672	39,853,141
2014-15	37,894,779	9,349,672	47,244,451
2015-16	36,365,703	9,349,672	45,715,375

Non-Appropriated Budget Entities. The Auxiliary Enterprises budget entity is comprised of a number of trust funds including the Auxiliary Trust Fund, the Working Capital Trust Fund, the debt service trust funds and the parking and housing trust funds. These trust funds receive revenues generated primarily from sales to students, faculty and staff, University departments and other individuals. The Contracts & Grants budget entity is funded with awards from federal, state and local government, as well as other private contracts and grants. Other budget entities include student activities, athletics, campus concessions and financial aid. The funds are generated from student fees and vending machine sales. The following table shows the University's revenues from non-appropriated budget entities for the past five fiscal years.

History of Non-Appropriated Trust Fund Budgets

Fiscal Year	Contracts & Grants	Auxiliary Enterprises	Other [1]	Total
2011-12	$380,000,000	$194,081,004	$979,785,799	$1,553,866,803
2012-13	386,434,278	169,285,660	937,446,768	1,493,166,706
2013-14	383,665,532	190,695,580	1,020,567,829	1,594,928,941
2014-15	336,004,629	198,303,911	1,052,902,183	1,587,210,723
2015-16	333,053,364	195,318,698	1,082,322,542	1,610,694,604

[1] Includes Student Activities, Athletics, Concessions and Financial Aid that are "Local" Funds, not Trust Funds.

Tuition and Fees. The following table lists the registration, tuition and local fees charged to each undergraduate student per credit hour for the past five academic years.

Registration, Tuition and Local Fees for Undergraduate Students
Per Credit Hour (Tampa Campus)

	Academic Years				
	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Tuition					
Resident Students:					
Matriculation Fee (Tuition) [1]	$135.32	$150.20	$151.95	$151.95	$151.95
Building Fee	2.32	0.00	0.00	0.00	0.00
Student Financial Aid Fee	5.16	5.16	5.25	5.25	5.25
Technology Fee	5.16	5.16	5.25	5.25	5.25
Total	$147.96	$160.52	$162.45	$162.45	$162.45
Non-Resident Students:					
Matriculation Fee [1]	$135.32	$150.20	$151.95	$151.95	$151.95
Out of State Tuition Fee	291.68	315.00	346.50	346.50	346.50
Building Fee	2.32	0.00	0.00	0.00	0.00
Out of State Financial Aid Fee	19.74	20.91	22.57	22.57	22.57
Technology Fee	5.16	5.16	5.25	5.25	5.25
Total	$454.22	$491.27	$526.27	$526.27	$526.27
Other Fees [2]					
Capital Improvement Fee	$2.44	$6.76	$6.76	$6.76	$6.76
Activity & Service Fee	11.28	11.71	12.08	12.08	12.08
Health Fee	9.73	9.73	9.94	9.94	9.94
Athletic Fee	14.15	14.46	14.46	14.46	14.46
Transportation Access Fee	3.00	3.00	3.00	3.00	3.00
Facility Use Fee	1.50	1.50	1.50	1.50	1.50
Student Green Energy Fee	1.00	1.00	1.00	1.00	1.00
Total	$43.10	$48.16	$48.74	$48.74	$48.74
Total Resident Tuition and Fees	$191.06	$208.68	$211.19	$211.19	$211.19
Total Non-Resident Tuition and Fees	$497.32	$539.43	$575.01	$575.01	$575.01

[1] Differential Tuition is included in the Matriculation Fee.

[2] Other Fees are charged to both resident and non-resident students. In addition, three flat fees are assessed per term: a $7 Activity and Service Fee, a $10 Athletic Fee, and a $20 Marshall Center Fee.

The following table lists the registration, tuition and local fees charged to each graduate student per credit hour for the past five academic years.

Registration, Tuition and Local Fees for Graduate Students
Per Credit Hour (Tampa Campus)

	Academic Years				
	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Tuition					
Resident Students:					
Matriculation Fee	$322.14	$347.91	$347.91	$347.91	$347.91
Building Fee	2.32	0.00	0.00	0.00	0.00
Student Financial Aid Fee	16.10	17.39	17.39	17.39	17.39
Technology Fee	16.10	17.39	17.39	17.39	17.39
Total	$356.66	$382.69	$382.69	$382.69	$382.69
Non-Resident Students:					
Matriculation Fee	$319.20	$347.91	$347.91	$347.91	$347.91
Out of State Tuition Fee	404.31	404.31	424.52	424.52	424.52
Building Fee	2.32	0.00	0.00	0.00	0.00
Out of State Financial Aid Fee	36.17	37.60	38.61	38.61	38.61
Technology Fee	15.96	17.39	17.39	17.39	17.39
Total	$777.96	$807.21	$828.43	$828.43	$828.43
Other Fees [1]					
Capital Improvement Fee	$2.44	$6.76	$6.76	$6.76	$6.76
Activity & Service Fee	11.28	11.71	12.08	12.08	12.08
Health Fee	9.73	9.73	9.94	9.94	9.94
Athletic Fee	14.15	14.46	14.46	14.46	14.46
Transportation Access Fee	3.00	3.00	3.00	3.00	3.00
Facility Use Fee	1.50	1.50	1.50	1.50	1.50
Student Green Energy Fee	1.00	1.00	1.00	1.00	1.00
Total	$43.10	$48.16	$48.74	$48.74	$48.74
Total Resident Tuition and Fees	$399.76	$430.85	$431.43	$431.43	$431.43
Total Non-Resident Tuition and Fees [3]	$821.06	$855.37	$877.17	$877.17	$877.17

[1] Other Fees are charged to both resident and non-resident students. In addition, three flat fees are assessed per term: a $7 Activity and Service Fee, a $10 Athletic Fee, and a $20 Marshall Center Fee.

History of Financial Aid Awards. The following table sets forth the history of financial aid awards.

History of Financial Aid Awards

	Academic Years				
Source of Award	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Federal	$313,311,327	$319,178,183	$321,572,262	$322,587,355	$317,333,615
State *	51,342,311	42,170,837	41,357,391	40,303,813	36,067,792
Institutional	29,786,079	35,086,816	41,878,435	45,499,046	48,458,232
Private	16,857,116	21,020,235	21,784,898	22,825,692	22,030,834
Total	$411,296,833	$417,456,071	$426,592,986	$431,215,906	$423,890,473
Type of Award					
Grants	$103,288,660	$95,340,146	$101,262,941	$103,650,065	$103,370,167
Loans	240,561,755	259,655,640	261,902,251	263,289,112	258,279,182
Scholarships	65,093,174	60,132,263	61,131,284	62,037,759	59,940,986
Student Employment	2,353,244	2,328,022	2,296,510	2,238,970	2,300,138
Total	$411,296,833	$417,456,071	$426,592,986	$431,215,906	$423,890,473
Students Receiving Awards (Unduplicated)	38,915	39,015	39,148	38,887	38,328

* Tuition waivers are not included in the financial aid file.

Selected Historical Financial Information

The following tables set forth selected historical financial information for the University. This selected historical financial information has been derived from, and should be read in conjunction with, the University’s financial statements and the related notes thereto. Such financial information will be subject to audit procedures by the State of Florida Auditor General’s Office for inclusion in the applicable State of Florida general purpose financial statements.

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Historical Statement of Net Assets Data
(In Thousands)

	Fiscal Years Ended June 30,				
ASSETS	**2012**	**2013**	**2014**	**2015**	**2016***
Current Assets:					
Cash and Cash Equivalents	$54,409	$59,612	$47,642	$44,777	$40,783
Investments	408,470	369,885	487,880	521,438	574,744
Accounts Receivable, Net	63,666	69,012	75,026	74,913	75,053
Loans and Notes Receivable, Net	1,337	1,256	881	1,093	2,079
Due From State	54,734	11,550	43,025	66,636	75,022
Due From Component Units	14,012	10,160	10,443	9,268	15,904
Inventories	1,430	782	885	240	236
Other Assets	2,298	1,753	1,406	1,343	2,180
Total Current Assets	$600,356	$524,010	$667,188	$719,707	$786,001
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	$31	$1,295	$331	$1,329	$876
Restricted Investments	67,174	40,258	43,408	58,125	56,911
Loans and Notes Receivable, Net	4,591	4,318	4,569	4,162	4,193
Depreciable Capital Assets, Net	831,646	816,467	768,307	797,834	785,847
Nondepreciable Capital Assets	84,235	20,442	30,511	38,868	59,837
Other Non Current Assets	283	262	242	0	0
Total Noncurrent Assets	$987,960	$883,042	$847,368	$900,318	$907,664
Deferred Outflows of Resources:					
Deferred Outflows of Pension Resources	0	0	0	$54,883	$73,082
Total Deferred Outflows of Resources	$987,960	$883,042	$847,368	$54,883	$73,082
Total Assets & Deferred Outflows of Resources	$1,588,316	$1,407,052	$1,514,556	$1,674,908	$1,766,747
LIABILITIES					
Current Liabilities:					
Accounts Payable	$26,627	$18,834	$20,819	$23,695	$22,465
Construction Contracts Payable	1,282	479	473	1,721	4,109
Salaries and Wages Payable	15,593	14,670	20,167	21,747	28,087
Deposits Payable	12,399	8,442	12,561	15,234	13,959
Due to Component Units	34,618	30,034	46,671	92,460	88,225
Unearned Revenue	61,345	40,680	42,450	34,226	40,620
Long-Term Liabilities - Current Portion:					
Capital Improvements Debt Payable	2,749	2,864	2,999	3,159	2,222
Installment Purchases Payable	423	349	75	27	27
Capital Leases Payable	0	0	48	41	16
Estimated Insurance Claims Payable	1,535	4,189	2,196	1,961	771
Compensated Absences Payable	5,390	5,483	5,963	6,419	6,592
Net Pension Liability	0	0	0	2,099	2,751
Total Current Liabilities	$161,961	$126,024	$154,422	$202,789	$209,844
Noncurrent Liabilities:					
Capital Improvement Debt Payable	$31,031	$28,167	$25,169	$22,109	$19,887
Installment Purchases Payable	424	75	0	83	56
Capital Leases Payable	0	0	109	68	16
Estimated Insurance Claims Payable	16,833	13,850	16,814	17,469	20,059
Compensated Absences Payable	59,033	57,663	638,598	68,000	71,706
Other Noncurrent Liabilities	4,625	4,503	4,371	4,294	3,217
Other Postemployment Benefits Payable	40,927	57,446	75,183	92,231	118,976
Net Pension Liability	0	0	0	104,279	168,055
Total Noncurrent Liabilities	$152,873	$161,704	$185,244	$308,532	$401,972
Deferred Inflows of Resources:					
Deferred Inflows of Pension Resources	$0	$0	$0	$75,841	$25,915
Total Deferred Inflows of Resources	$0	$0	$0	$75,841	$25,915
Total Liabilities & Deferred Outflows of Resources	$314,834	$287,728	$339,666	$587,162	$637,731

Historical Statement of Net Assets Data
(In Thousands)

	Fiscal Years Ended June 30,				
ASSETS	**2012**	**2013**	**2014**	**2015**	**2016***
NET POSITION					
Net Investment in Capital Assets	$830,617	$769,948	$740,607	$712,410	$723,763
Restricted for Expendable:					
Debt Service	2,608	3,002	653	1,754	1,738
Loans	6,061	6,144	6,180	6,682	5,781
Capital Projects	78,087	12,060	21,186	74,322	79,813
Other	61,501	62,378	101,891	103,017	113,946
Unrestricted	$294,608	$259,792	$304,373	$189,560	$203,977
Total Net Position	$1,273,482	$1,119,324	$1,174,890	$1,087,746	$1,129,018

*Preliminary, unaudited.

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Historical Statement of Revenues, Expenses, and Changes in Net Assets Data
(In Thousands)*

	Fiscal Years Ended June 30,				
	2012	2013	2014	2015	2016*
OPERATING REVENUES					
Student Tuition and Fees	$311,685	$347,751	$369,299	$382,075	$401,838
Less: Tuition Scholarship Allowances	(89,728)	(99,564)	(102,585)	(107,340)	(110,795)
Net Student Tuition and Fees	221,957	248,187	266,714	274,735	291,043
Federal Grants and Contracts	170,269	179,856	181,028	183,370	193,876
State and Local Grants and Contracts	13,724	18,916	22,436	22,432	25,127
Nongovernmental Grants and Contracts	113,651	119,726	125,297	136,359	161,963
Sales and Services of Educational Depts	299	9	60	97	0
Sales and Services of Auxiliary Enterprises	107,203	112,986	110,849	128,140	133,239
Interest on Loans and Notes Receivable	148	244	213	224	177
Other Operating Revenue	2,341	8,668	9,706	10,599	10,280
Total Operating Revenues	$629,592	$688,592	$716,303	$755,956	$815,705
OPERATING EXPENSES					
Compensation and Employee Benefits	$708,747	$698,128	$746,049	$772,152	$825,087
Services and Supplies	230,950	233,135	216,966	266,867	291,174
Utilities and Communications	26,504	26,085	26,134	25,011	24,217
Scholarships, Fellowships, and Waivers	85,148	83,965	83,627	77,295	74,844
Depreciation	47,718	52,280	50,689	49,457	49,547
Self-Insurance Claims	681	505	2,419	2,947	3,877
Total Operating Expenses	$1,099,748	$1,094,098	$1,125,884	$1,193,729	$1,268,746
Operating Income (Loss)	$(470,156)	$(405,506)	$(409,581)	$(437,773)	$(453,041)
NONOPERATING REVENUES (EXPENSES)					
State Noncapital Appropriations	$305,549	$250,932	$322,515	$352,851	$368,733
Federal and State Student Financial Aid	107,686	106,133	105,434	100,562	94,867
State Appropriated American Recovery and Reinvestment Act Funds	0	0	0	0	0
Noncapital Grants and Donations	20,108	19,866	22,255	26,897	24,949
Investment Income	9,603	13,185	27,284	6,076	10,161
Other Nonoperating Revenues	2,138	269	117	319	1,710
Gain (Loss) on Disposal of Capital Assets	23	(4,206)	(5,785)	(6,282)	(812)
Interest on Capital Asset-Related Debt	(1,669)	(1,734)	(1,417)	(1,373)	(1,130)
Other Nonoperating Expenses	(64,458)	(25,551)	(33,724)	(39,763)	(45,517)
Net Nonoperating Revenues (Expenses)	$378,980	$358,894	$436,679	$439,287	$452,961
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$(91,176)	$(46,612)	$27,098	$1,514	$(80)
State Capital Appropriations	37,009	7,604	37,511	43,842	40,094
Capital Grants, Contracts, Donations, and Fees	27,444	3,674	13,143	3,229	1,256
Transfers To/From Other SUS Universities	0	(118,824)	(22,186)	0	0
Increase (Decrease) in Net Position	$(26,723)	$(154,158)	$55,566	$48,585	$41,270
Net Position, Beginning of Year	$1,300,205	$1,273,482	$1,119,324	$1,174,890	$1,087,746
Adjustments to Beginning Net Position	0	0	0	$(135,729)	0
Net Position, End of Year	$1,273,482	$1,119,324	$1,174,890	$1,087,746	$1,129,016

*Totals may not add due to rounding.

** Preliminary, unaudited.

Students

Student Enrollment. Student enrollment at the University of South Florida has grown steadily over the past several years with a total enrollment of nearly 49,000 students for the fall semester of 2015. The quality of students at the University of South Florida is evident by the achievements of its graduate students and alumni. The following table shows admission and registration data for the University.

Admission and Registration Headcounts and Percentages by Type of Student for Fall Semesters (All Campuses)

Total Students	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015
Applications	46,632	47,230	53,576	55,909	59,408
Acceptances	21,150	22,990	23,558	24,327	24,137
% Selectivity (Acceptance Rate)	45.4%	48.7%	44.0%	43.5%	40.6%
Matriculation	10,469	11,264	11,354	11,263	11,105
% Matriculation (Yield Rate)	49.5%	49.0%	48.2%	46.2%	46.0%
First-Time-in-College Students					
Applications	24,759	24,115	24,794	25,488	27,224
Acceptances	9,202	10,302	10,445	10,937	10,578
% Selectivity (Acceptance Rate)	37.2%	42.7%	42.1%	42.9%	38.9%
Matriculation	2,812	3,273	3,307	3,294	3,110
% Matriculation (Yield Rate)	30.5%	31.8%	31.7%	30.1%	29.4%
Florida College System Transfers					
Applications	6,350	6,608	6,301	6,109	5,902
Acceptances	4,625	4,728	4,452	4,340	4,210
% Selectivity (Acceptance Rate)	72.8%	71.5%	70.7%	71.0%	71.3%
Matriculation	3,171	3,267	3,037	3,009	2,905
% Matriculation (Yield Rate)	68.6%	69.1%	68.2%	69.3%	69.0%
Other Transfers					
Applications	5,841	5,766	6,117	6,235	6,479
Acceptances	2,957	3,059	3,142	3,143	3,346
% Selectivity (Acceptance Rate)	50.6%	53.1%	51.4%	50.4%	51.6%
Matriculation	1,788	1,747	1,829	1,691	1,806
% Matriculation (Yield Rate)	60.5%	57.1%	58.2%	53.8%	54.0%
Graduate					
Applications	9,432	10,396	10,905	12,195	12,429
Acceptances	4,123	4,566	4,775	5,256	5,309
% Selectivity (Acceptance Rate)	43.7%	43.9%	43.8%	43.1%	42.7%
Matriculation	2,456	2,643	2,708	2,841	2,898
% Matriculation (Yield Rate)	59.6%	57.9%	56.7%	54.1%	54.6%
Health Colleges *					
Applications	250	345	5,459	5,882	7,374
Acceptances	243	335	744	651	694
% Selectivity (Acceptance Rate)	97.2%	97.1%	13.6%	11.1%	9.4%
Matriculation	242	334	473	428	386
% Matriculation (Yield Rate)	99.6%	99.7%	63.6%	65.7%	55.6%

SOURCE: USF InfoCenter Report Date: March 30, 2015.

* Beginning Fall 2013, enrollment information includes the following Colleges: Medicine, Nursing, Physical Therapy and Pharmacy. Prior year enrollment information in InfoCenter does not include this information.

The table below shows the historical full-time equivalent ("FTE") enrollment of the University by level. FTE is calculated using the IPEDS (Integrated Postsecondary Education Data System) methodology. The full-time equivalent of the University's part-time enrollment is estimated by multiplying the part-time headcount by the IPEDS factor for 4-Year Public institutions. The results are then added to the full-time enrollment headcounts to obtain an FTE for all students enrolled in the fall. According to IPEDS, "This formula is used to produce an FTE that is used annually in the Digest of Education Statistics."

FTE Enrollment
(All Campuses)

	Level				Status		
Fall	**Undergrad**	**Graduate**	**Professional**	**Total**	**Full-Time**	**FTE of Part-Time**	**Total**
2011	30,915	6,627	448	37,990	31,815	6,175	37,990
2012	31,331	6,712	591	38,634	32,483	6,151	38,634
2013	31,206	6,949	796	38,951	32,589	6,362	38,951
2014	31,166	7,102	897	39,165	32,748	6,417	39,165
2015	31,593	7,341	860	39,794	33,556	6,238	39,794

Headcount Enrollment
(All Campuses)

	Level				Status		
Fall	**Undergrad**	**Graduate**	**Professional**	**Total**	**Full-Time**	**Part-Time**	**Total**
2011	36,840	9,846	676	47,362	31,815	15,547	47,362
2012	37,100	9,849	905	47,854	32,483	15,371	47,854
2013	36,999	10,096	1,235	48,330	32,589	15,741	48,330
2014	36,929	10,270	1,379	48,578	32,748	15,830	48,578
2015	37,180	10,497	1,307	48,984	33,556	15,428	48,984

Total Enrollment by Area of Origin
(All Campuses)

Area	**Fall 2011**	**Fall 2012**	**Fall 2013**	**Fall 2014**	**Fall 2015**
Florida Residents	43,733	43,529	43,120	42,561	41,828
Non-Florida Residents	3,629	4,325	5,210	6,017	7,156
Total	47,362	47,854	48,330	48,578	48,984

Enrollment History of New Degree-Seeking Students
(All Campuses)

	Fall 2011	**Fall 2012**	**Fall 2013**	**Fall 2014**	**Fall 2015**
First-Time-In-College Students	2,812	3,273	3,307	3,294	3,110
Florida College System Transfer Students	3,171	3,267	3,037	3,009	2,905
Other Transfer Students	1,788	1,747	1,829	1,691	1,806
Graduate and Professional Students	2,698	2,977	3,181	3,269	3,284
Total New Degree-Seeking Students	10,469	11,264	11,354	11,263	11,105

Student Recruitment. The Office of Student Success coordinates and promotes university-wide efforts to enhance undergraduate and graduate student success. By recruiting and enrolling college-ready students, awarding financial aid and scholarships, and planning for timely degree completion for all students, the Student Success Team strives to create a positive teaching and learning environment designed to enrich all aspects of the student experience and ensure that every student who enters USF has the opportunity to success. The University is currently developing a comprehensive long-term enrollment plan that will allow it to coordinate academic planning, budgetary processes, capital campaigns, and facilities planning in an increasingly dynamic environment.

Student Quality Indicators. The following table shows the high school grade point averages, average Scholastic Aptitude Test (SAT) scores and average American College Test (ACT) scores for first-time-in-college students at University of South Florida for the past five fall semesters.

Student Quality Indicators
First-Time-In-College Students

Fall	Average High School GPA	Average SAT Score	Average ACT Score
2011	3.86	1187	26
2012	3.88	1191	27
2013	3.97	1190	27
2014	3.98	1191	27
2015	4.03	1210	27

A second measure of student quality is the growth of the University's Honors College. The table below shows continued growth over the past 5 years in quality.

USF Honors College

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015
First-Time-In-College Student Enrollment	472	624	587	672	734
Average SAT score	1350	1355	1359	1355	1360

A third measure of student quality is the University's number of National Merit Scholars, National Achievement Scholars and Hispanic Scholars. The table below shows the number of each type of scholar attending the University (excluding New College).

Fall	Scholar	New
2011	National Merit Scholars	20
	National Achievement Scholars	1
	Hispanic Scholars	9
2012	National Merit Scholars	25
	National Achievement Scholars	4
	Hispanic Scholars	15
2013	National Merit Scholars	7
	National Achievement Scholars	5
	Hispanic Scholars	8
2014	National Merit Scholars	8
	National Achievement Scholars	8
	Hispanic Scholars	6
2015	National Merit Scholars	10
	National Achievement Scholars	2
	Hispanic Scholars	10

The following table shows historical information regarding degrees awarded to the students at the University.

Degrees Awarded

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Associate of Arts	190	207	240	267	280
Bachelor	9,048	9,209	9,604	9,503	9,349
Masters	2,732	2,749	2,853	3,168	3,195
Education Specialist	12	13	2	7	9
Doctoral (Research)	271	295	330	321	314
Doctoral (Professional)	146	153	216	280	389
Total	12,399	12,626	13,245	13,546	13,536

Faculty

At the University of South Florida, 1,976 full-time and part-time instructional faculty members were engaged in teaching, research and public service activities in Fall 2015. These faculty members were supported by a number of staff and Other Personnel Services ("OPS") employees. Of state-funded instructional faculty positions that were filled, 24.9% held the rank of professor, 26.5% were associate professors, 28.1% were assistant professors, and 20.5% were instructors/lecturers.

Faculty Data (Instructional Only)

Fall Semester	**Total Full-Time Faculty**	**Total Part-Time Faculty**	**All Tenured Faculty**	**Student (FTE) / Faculty Ratio** *
2011	1,714	121	785	28:1
2012	1,777	122	856	25:1
2013	1,811	121	840	24:1
2014	1,876	119	832	24:1
2015	1,861	115	834	25:1

* As reported in the 2015-2016 USF System Fact Book.

Personnel

In addition to the above faculty positions, the University also employed the following personnel in Fall 2015:

Non-Instructional Faculty………………….………………………………..	516
Adjunct Faculty ……......…………………..………………………………..	1,492
Administrative and Professional Employees ..………………….……………..	2,553
Support Personnel……………………………………………….……………..	2,064
Other * ……………………………………………………………..……..	1,672
Total Other Personnel……..……......………………………......………..…	8,297

* Excludes 5,245 Student/Graduate Assistants and Fellowships, and 2,823 Non-Compensated Employees.

Research

In 2014-15, USF faculty received $440.6 million in research contracts and grants. About 38% of those grants came from federal funding sources. The College of Medicine led the University with $215.8 million in contract and grants, which represents 49% of the total. Other University areas with large grant totals include the College of Engineering, $73.3 million; College of Behavioral and Community Sciences, $30.7 million; and College of Public Health, $25.1 million.

The largest share of contracts and grants came from private partnerships with $184.8 million of funding (42%). Federal funding sources provided $166.3 million (38%) and the $89.5 million balance represents funding from state and local government (20%). The following table shows research funding over the past five fiscal years.

USF Research Funding

	Fiscal Years Ended June 30,				
	2011	**2012**	**2013**	**2014**	**2015**
Federal Government	$180,397,652	$166,586,728	$151,099,329	$149,102,143	$166,307,979
Private Partnerships	152,986,177	184,423,447	190,484,612	197,669,991	184,760,922
State/Local Government	58,416,527	60,051,057	72,047,247	81,485,654	89,508,779
Total	$391,800,356	$411,061,232	$413,631,188	$428,257,788	$440,577,680

Endowments and Fund Raising Efforts

The USF Foundation is a 501(c)(3) private, not-for-profit corporation chartered under Florida Statutes to function as the legal conduit for the acceptance, investment and distribution of all private gifts made to the University of South Florida. The USF Foundation promotes higher education in general, and specifically encourages the advancement of teaching, research and public service through private support for the University's academic and student development endeavors. Private gifts and commitments received by the Foundation totaled over $130 million, for operating, capital and endowment dollars to the University through the fiscal year ending June 30, 2015. Strong ties to the community have been built through the financial and civic commitments of corporations, foundations and individuals, including staff, faculty and alumni. Participation of the University's more than 300,000 alumni in the annual fund campaign is growing steadily.

The Foundation is guided by a Board of Trustees composed of business and community leaders who are vitally interested in the welfare of higher education in the greater Tampa Bay region and in Florida. The Board directs the receipt and administration of private funds, properties and services contributed to USF. It accepts gifts in support of activities directly related to the mission of the University of South Florida, including cash, property (real or otherwise), securities, bequests, and trust and life income agreements.

Chartered in 1958, the Foundation has $555.2 million in net assets. As of June 30, 2015, the Foundation's total investments had a market value of $515.6 million. These assets are managed by outside investment managers, with review and oversight by the Investment Committee and an Investment Advisor. Review of performance, as well as spending and administrative fee policies, is completed on a quarterly basis by the appropriate committee and investment advisor.

The Foundation seeks to secure funding for the priorities established by the University and includes endowed professorships and lectureships which help retain the University's outstanding professors and to supply needed funds for their research and teaching efforts.

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Historical gifts received by the University of South Florida Foundation, Inc. are shown in the table below.

Total Gift Report
USF Foundation, Inc.

	Fiscal Years Ended June 30,				
Sources of Gifts	**2011**	**2012**	**2013**	**2014**	**2015**
Agency	-	$2,600	$5,770	$290	$13,765
Alumni	$5,873,946	7,476,959	7,795,833	6,131,203	46,706,967
Corporation	48,772,318	34,836,856	36,499,355	78,701,466	51,379,550
Employee	3,366,936	938,423	1,736,074	2,136,725	2,536,566
Friend	10,416,787	27,300,664	21,151,599	14,800,043	17,132,176
Group	2,439,402	1,112,411	1,229,067	3,122,392	2,822,918
Parent	2,610,675	1,845,510	365,104	782,110	1,063,633
Private Foundation	19,232,057	7,001,391	9,161,011	6,883,769	8,362,420
State Match	18,923,570	1,328,237	582,088	533,619	529,530
Total Gifts	$111,635,692	$81,843,051	$78,525,902	$113,091,616	$130,547,525

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USF Foundation, Inc.
Summary Financial Report

	Fiscal Years Ended June 30,				
	2011	**2012**	**2013**	**2014**	**2015**
Assets	$517,847,413	$494,819,223	$531,448,953	$573,295,468	$593,860,172
Liabilities	44,628,031	33,573,013	30,934,084	32,580,910	38,623,025
Net Assets	$473,219,382	$461,246,210	$500,514,869	$540,714,558	$555,237,147
Revenue and Change in Value of Split-Interest Agreements:					
Unrestricted	$119,801,401	$72,260,140	$87,467,799	$57,836,655	$63,122,417
Temporarily Restricted	26,534,679	(17,906,131)	16,989,469	44,161,282	3,535,740
Permanently Restricted	10,053,779	8,131,126	12,370,054	6,419,454	13,155,907
Total Revenue	$156,389,859	$62,485,135	$116,827,322	$108,417,391	$79,814,064
Expenditures	100,953,856	74,458,307	77,558,663	68,217,702	65,291,475
Net Change in Net Assets	55,436,003	(11,973,172)	39,268,659	40,199,689	14,522,589
Beginning Net Assets	417,783,379	473,219,382	461,246,210	500,514,869	540,714,558
Ending Net Assets	$473,219,382	$461,246,210	$500,514,869	$540,714,558	$555,237,147

USF Alumni Association, Inc.
Summary Financial Report

	Fiscal Years Ended June 30,				
	2011	**2012**	**2013**	**2014**	**2015**
Assets	$3,826,060	$4,200,039	$5,030,811	$5,963,379	$6,178,865
Liabilities	1,209,474	1,505,845	1,807,441	1,872,855	1,981,867
Net Assets	$2,616,586	$2,694,194	$3,223,370	$4,090,524	$4,196,998
Revenue and Support:					
Unrestricted	$2,618,293	$2,100,948	$2,543,497	$2,950,845	$2,495,166
Temporarily Restricted	44,617	(43,307)	32,474	122,225	(53,838)
Permanently Restricted	58,279	206,071	111,927	90,867	160,394
Total Revenue	$2,721,189	$2,263,712	$2,687,898	$3,163,937	$2,601,722
Expenditures	2,060,220	2,186,104	2,158,722	2,296,783	2,495,248
Net Change in Net Assets	660,969	77,608	529,176	867,154	106,474
Beginning Net Assets	1,955,617	2,616,586	2,694,194	3,223,370	4,090,524
Ending Net Assets	$2,616,586	$2,694,194	$3,223,370	$4,090,524	$4,196,998

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STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-128
March 2016

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Judy L. Genshaft served as President and the following individuals served as Members of the Board of Trustees:

Notes: [a] Student body president.
[b] System faculty council president (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

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

The team leader was Jenny L. Phipps and the audit was supervised by Karen J. Collington, CPA.

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

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UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University will be presented in a separate report.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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Tallahassee, Florida 32399-1450

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the Medical Professional Liability Self-Insurance Program, a blended component unit, represent 3.0 percent, 2.7 percent, and 0.5 percent, respectively, of the assets, net position, and revenues, reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. 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 blended and 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 South Florida and of its aggregate discretely presented component units as of June 30, 2015, 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, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information,** as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the University of South Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.** The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

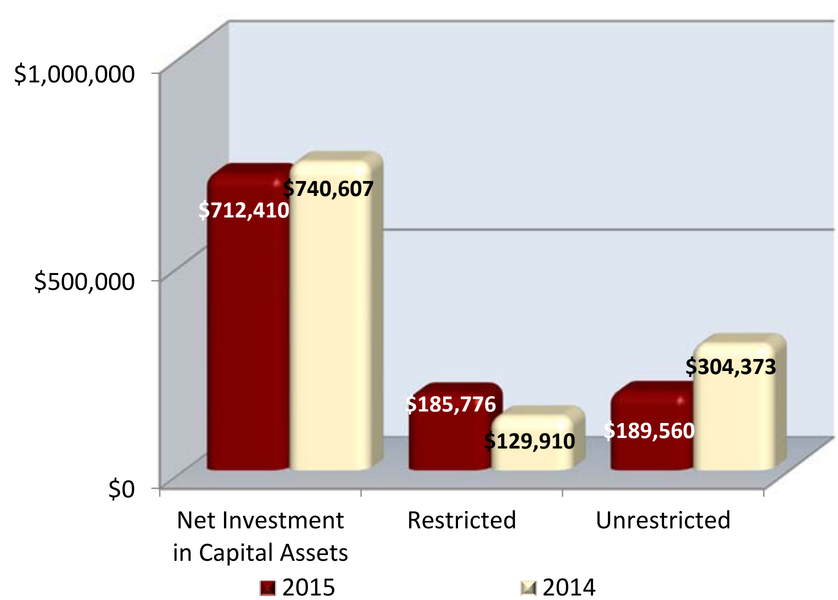
The University's assets and deferred outflows of resources totaled $1.7 billion at June 30, 2015. This balance reflects a $160.4 million, or 10.6 percent, increase as compared to the 2013-14 fiscal year. Liabilities and deferred inflows of resources increased by $247.5 million, or 72.9 percent, totaling $587.2 million at June 30, 2015, as compared to $339.7 million at June 30, 2014. As a result, the University's net position decreased by $87.1 million, resulting in a year-end balance of $1.1 billion.

The University's operating revenues totaled $756 million for the 2014-15 fiscal year, representing a 5.5 percent increase over the 2013-14 fiscal year due mainly to increases in sales and services of auxiliary enterprises, student tuition and fees, and grants and contracts. Operating expenses totaled $1.2 billion for the 2014-15 fiscal year, representing an increase of 6 percent over the 2013-14 fiscal year due mainly to an increase in compensation and employee benefits and services and supplies.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

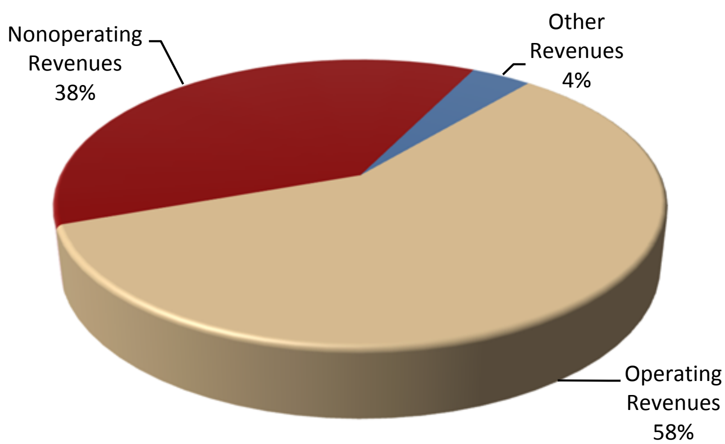
Net Position:

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:

Total Revenues:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Unit:
  - Medical Professional Liability Self-Insurance Program
- Discretely Presented Component Units:
  - University of South Florida Foundation, Inc.
  - University of South Florida Alumni Association, Inc.
  - USF Health Professions Conferencing Corporation
  - University of South Florida Medical Services Support Corporation
  - Sun Dome, Inc.
  - University of South Florida Research Foundation, Inc.
  - USF Financing Corporation
  - USF Property Corporation
  - University Medical Service Association, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2015	2014
Assets		
Current Assets	$ 719,707	$ 667,188
Capital Assets, Net	836,702	798,818
Other Noncurrent Assets	63,616	48,550
Total Assets	1,620,025	1,514,556
Deferred Outflows of Resources	54,883	-
Liabilities		
Current Liabilities	202,789	154,422
Noncurrent Liabilities	308,532	185,244
Total Liabilities	511,321	339,666
Deferred Inflows of Resources	75,841	-
Net Position		
Net Investment in Capital Assets	712,410	740,607
Restricted	185,776	129,910
Unrestricted	189,560	304,373
Total Net Position	$ 1,087,746	$ 1,174,890

Current and noncurrent cash and investments for the University increased a total of $46.4 million between the two fiscal years primarily as a result of increases in State appropriations. In addition, amounts due from the State increased by $23.6 million, primarily due to the increase in State capital appropriations.

Net capital assets increased by $37.9 million, primarily due to the transfer of the Marshall Student Center from the USF Financing Corporation to the University.

Deferred outflows of resources increased $54.9 million due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Total liabilities increased $171.7 million. Major components of this increase include increases in due to component units of $45.8 million, other postemployment benefits (OPEB) of $17 million, and a newly recognized pension liability of $106.4 million, due to the implementation of GASB Statement No. 68.

Deferred inflows of resources increased $75.8 million due to the implementation of GASB Statement No. 68.

Net position is reported in three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. Restricted net position is another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net position represents funds that have been donated to the University that are required to be invested in perpetuity. This net position component is primarily maintained within the University of South Florida Foundation, Inc., a component unit of the University. Restricted expendable net position is available for use by the University, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position and is available to the University for any lawful purpose of the University.

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

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2014-15 and 2013-14 fiscal years:

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

(In Thousands)

	2014-15	**2013-14**
Operating Revenues	$ 755,956	$ 716,303
Less, Operating Expenses	1,193,729	1,125,884
Operating Loss	(437,773)	(409,581)
Net Nonoperating Revenues	439,287	436,679
Income Before Other Revenues	1,514	27,098
Other Revenues	47,071	28,468
Net Increase In Net Position	48,585	55,566
Net Position, Beginning of Year	1,174,890	1,119,324
Adjustments to Beginning Net Position (1)	(135,729)	-
Net Position, Beginning of Year, as Restated	1,039,161	1,119,324
Net Position, End of Year	$ 1,087,746	$ 1,174,890

Note: (1) As discussed in Notes 2 and 3 to the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years

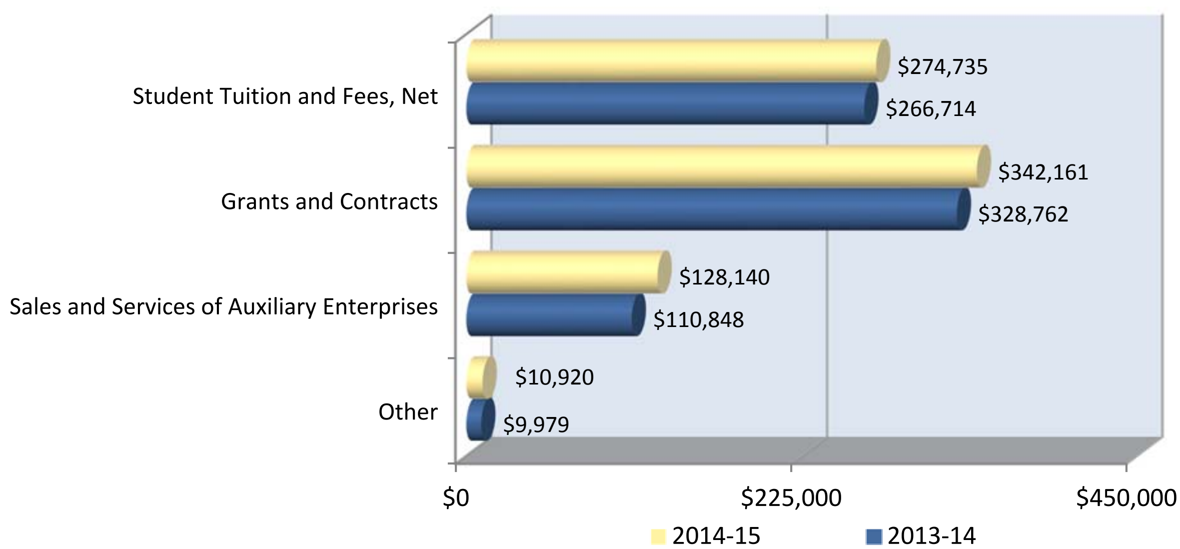
(In Thousands)

	2014-15	2013-14
Student Tuition and Fees, Net	$ 274,735	$ 266,714
Grants and Contracts	342,161	328,762
Sales and Services of Auxiliary Enterprises	128,140	110,848
Other	10,920	9,979
Total Operating Revenues	$ 755,956	$ 716,303

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues:

(In Thousands)



University operating revenues increased by $39.7 million, or 5.5 percent. Student tuition and fees increased by $8 million due to growth in out-of-state and graduate student enrollment. Grants and contracts increased $13.4 million due to new Federal research grants and contracts and nongovernmental funding. Sales and services of auxiliary enterprises increased $17.3 million primarily due to the University assuming the role of meal plan sales for the dining service provider.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classifications for the 2014-15 and 2013-14 fiscal years:

Operating Expenses

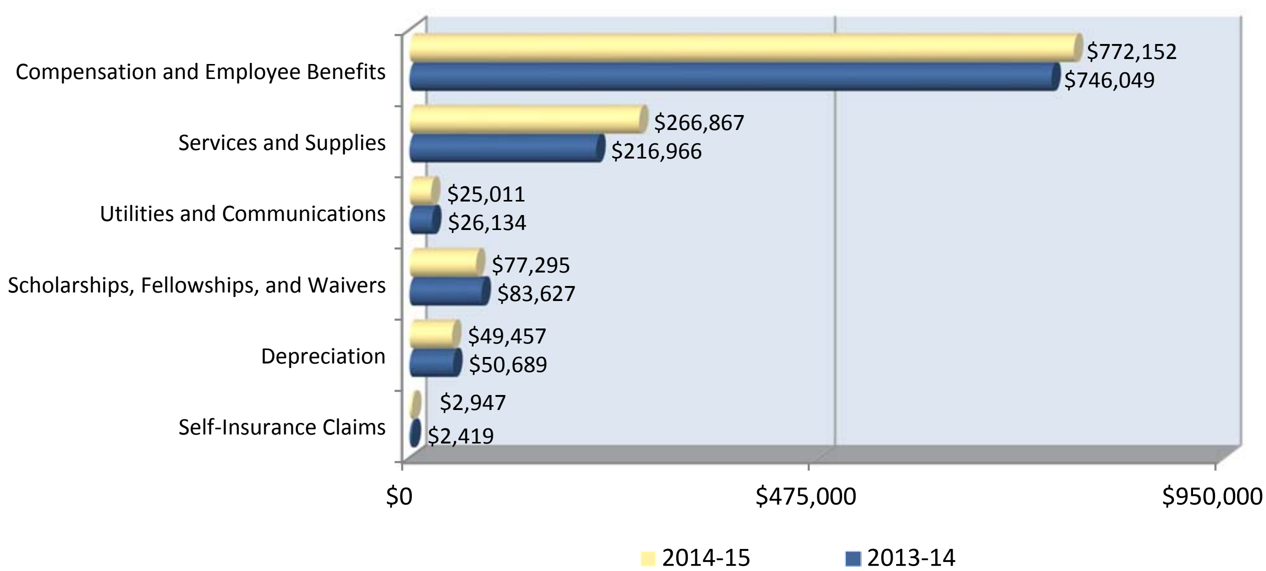
(In Thousands)

	2014-15	2013-14
Compensation and Employee Benefits	$ 772,152	$ 746,049
Services and Supplies	266,867	216,966
Utilities and Communications	25,011	26,134
Scholarships, Fellowships, and Waivers	77,295	83,627
Depreciation	49,457	50,689
Self-Insurance Claims	2,947	2,419
Total Operating Expenses	$ 1,193,729	$ 1,125,884

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses:

(In Thousands)



Total operating expenses increased by $67.8 million, resulting primarily from a $26.1 million increase in compensation and employee benefits and a $49.9 million increase in services and supplies. The increase in compensation and employee benefits was primarily due to expenses associated with salary and health care benefit increases, as well as increases in the accrual for compensated absences and other postemployment benefits. The increase in services and supplies was primarily due to the University assuming the role of meal plan sales and remitting the cost of meal plans to the dining service provider, increases in minor renovation costs, and increases in grant subcontracts.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses):

(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 352,851	$ 322,514
Federal and State Student Financial Aid	100,562	105,434
Noncapital Grants and Donations	26,897	22,255
Investment Income	6,076	27,284
Other Nonoperating Revenues	319	117
Loss on Disposal of Capital Assets	(6,282)	(5,785)
Interest on Capital Asset-Related Debt	(1,373)	(1,417)
Other Nonoperating Expenses	(39,763)	(33,723)
Net Nonoperating Revenues	$ 439,287	$ 436,679

Total net nonoperating revenues increased by $2.6 million primarily attributed to an increase of $30.3 million in State noncapital appropriations offset by a $21.2 million decrease in investment income.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues:

(In Thousands)

	2014-15	2013-14
State Capital Appropriations	$ 43,842	$ 37,511
Capital Grants, Contracts, Donations, and Fees	3,229	13,143
Required Transfers to Other SUS Universities	-	(22,186)
Total	$ 47,071	$ 28,468

Total other revenues increased by $18.6 million. This increase was primarily due to the $22.2 million decrease in required transfers to other SUS universities, which was due to the prior year conclusion of the transfer of assets of the former USF Polytechnic campus to the newly formed Florida Polytechnic University.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows:

(In Thousands)

	2014-15	**2013-14**
Cash Provided (Used) by:		
Operating Activities	$ (372,667)	$ (327,223)
Noncapital Financing Activities	452,358	404,456
Capital and Related Financing Activities	(39,399)	3,698
Investing Activities	(42,159)	(93,865)
Net Decrease in Cash and Cash Equivalents	(1,867)	(12,934)
Cash and Cash Equivalents, Beginning of Year	47,973	60,907
Cash and Cash Equivalents, End of Year	$ 46,106	$ 47,973

Cash used for operating activities increased by $45.4 million from the prior fiscal year. Major sources of operating activities include net student tuition and fees ($271.6 million), grants and contracts ($343.6 million), and sales and services of auxiliary enterprises ($125.4 million). Included in the calculation of net cash used for operating activities are two major outflows; payments to employees ($756.7 million) and payments to suppliers ($288.3 million). The change primarily resulted from increases in cash collected from grants and contracts ($15 million) and sales and services of auxiliary enterprises ($13.9 million), offset by an increase in cash used for payments to suppliers for goods and services ($47.1 million) and payments to employees ($40.7 million).

Cash provided by noncapital financing activities, which consists primarily of $352.9 million of State noncapital appropriations, increased by $47.9 million from the 2013-14 fiscal year. The increase was primarily due to a $30.3 million increase in State noncapital appropriations, a $5.2 million decrease in operating subsidies and transfers, and a $14.4 million decrease in other nonoperating disbursements.

Cash provided by capital and related financing activities decreased by $43.1 million. This was primarily due to a decrease in capital grants and contracts of $11.2 million, capital subsidies and transfers of $38.3 million, and an increase in the purchase or construction of capital assets of $7.3 million.

Cash used by investing activities decreased by $51.7 million, which was attributed to a decrease in the net purchase of investments of $52.6 million.

Capital Assets

At June 30, 2015, the University had $1.4 billion in capital assets, less accumulated depreciation of $611.2 million, for net capital assets of $836.7 million. Depreciation charges for the current fiscal year totaled $49.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30:

(In Thousands)

	2015	2014
Land	$ 15,565	$ 14,785
Construction in Progress	20,930	13,323
Buildings	698,300	662,512
Infrastructure and Other Improvements	33,154	36,773
Furniture and Equipment	54,754	59,343
Library Resources	7,890	4,852
Property Under Capital Leases	171	191
Works of Art and Historical Treasures	1,361	1,236
Other Capital Assets	4,577	5,803
Capital Assets, Net	$836,702	$798,818

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

Capital Expenses and Commitments

The University's construction commitments at June 30, 2015, are as follows:

	Amount (In Thousands)
Total Committed	$ 103,680
Completed to Date	(20,930)
Balance Committed	$ 82,750

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

Debt Administration

As of June 30, 2015, the University had $25.5 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing a decrease of $2.9 million, or 10.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30:

(In Thousands)

	2015	2014
Capital Improvement Debt	$ 25,268	$ 28,167
Installment Purchases	110	75
Capital Leases	108	156
Total	$ 25,486	$ 28,398

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

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. The budget adopted by the Florida Legislature for the 2015-16 fiscal year provided an overall 4 percent increase to State universities and incorporated performance-based funding which positively impacts the proportional increase for the University of South Florida. This translated to $28.3 million in additional Educational and General Funds for the University. After two consecutive years of top tier performance ranking among peer universities, USF is well positioned to continue to benefit from the Legislature and Board of Governors' continued focus on performance-based funding.

In addition to State funding, the University receives a large share of general revenue from other sources including tuition and fees, other auxiliary operations, and grants and contracts. This diversification mitigates the impact of individual economic factors.

Requests for Information

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Jennifer Condon, CPA, Assistant Vice President and Controller, University of South Florida, 4202 East Fowler Avenue, ALN147, Tampa, Florida 33620-5800.

University of South Florida
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2015

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 44,777,369	$ 32,825,585
Investments	521,437,543	117,344,009
Accounts Receivable, Net	74,912,562	79,451,050
Loans and Notes Receivable, Net	1,092,707	-
Due from State	66,635,883	-
Due from University	-	92,460,404
Due from Component Units	9,268,445	8,064,699
Inventories	239,645	1,302,533
Other Current Assets	1,343,234	12,692,392
Total Current Assets	719,707,388	344,140,672
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,328,561	1,133,334
Restricted Investments	58,125,412	477,093,584
Loans and Notes Receivable, Net	4,162,147	-
Depreciable Capital Assets, Net	797,833,607	309,071,406
Nondepreciable Capital Assets	38,868,197	20,038,104
Other Noncurrent Assets	-	21,407,540
Total Noncurrent Assets	900,317,924	828,743,968
Total Assets	1,620,025,312	1,172,884,640
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	54,882,912	-
Interest Rate Swap Agreement	-	1,691,644
Total Deferred Outflows of Resources	54,882,912	1,691,644
LIABILITIES		
Current Liabilities:		
Accounts Payable	23,695,332	18,517,775
Construction Contracts Payable	1,721,131	-
Salaries and Wages Payable	21,746,783	6,956,742
Deposits Payable	15,234,211	358,605
Due to University	-	9,268,445
Due to Component Units	92,460,404	8,064,699
Unearned Revenue	34,225,755	6,026,270
Other Current Liabilities	-	148,026
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	3,784,981
Certificates of Participation Payable	-	4,935,000
Capital Improvement Debt Payable	3,158,759	-
Loans and Notes Payable	-	182,353
Installment Purchase Payable	26,777	977,580
Capital Leases Payable	40,936	523,360
Estimated Insurance Claims Payable	1,961,260	-
Compensated Absences Payable	6,418,661	-
Net Pension Liability	2,099,508	-
Total Current Liabilities	202,789,517	59,743,836

University of South Florida
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2015

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	123,024,358
Certificates of Participation Payable	-	259,895,405
Capital Improvement Debt Payable	22,109,187	-
Loans and Notes Payable	-	812,974
Installment Purchase Payable	82,731	493,880
Capital Leases Payable	67,690	791,184
Estimated Insurance Claims Payable	17,468,988	-
Compensated Absences Payable	67,999,806	-
Federal Advance Payable	4,293,571	-
Other Noncurrent Liabilities	-	24,928,562
Other Postemployment Benefits Payable	92,231,000	-
Net Pension Liability	104,278,769	-
Total Noncurrent Liabilities	308,531,742	409,946,363
Total Liabilities	511,321,259	469,690,199
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	75,841,215	-
Total Deferred Inflows of Resources	75,841,215	-
NET POSITION		
Net Investment in Capital Assets	712,410,057	29,995,635
Restricted for Nonexpendable:		
Endowment	-	555,218,230
Restricted for Expendable:		
Debt Service	1,754,091	-
Loans	6,682,312	-
Capital Projects	74,322,384	-
Other	103,016,757	-
Unrestricted	189,560,149	119,672,220
TOTAL NET POSITION	$ 1,087,745,750	$ 704,886,085

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

University of South Florida
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2015

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $107,340,118 ($3,131,244 Pledged for the Student Union Revenue Bonds)	$ 274,735,379	$ -
Federal Grants and Contracts	183,370,349	-
State and Local Grants and Contracts	22,431,767	-
Nongovernmental Grants and Contracts	136,359,326	53,468,135
Sales and Services of Educational Departments	96,744	-
Sales and Services of Auxiliary Enterprises ($12,071,444 Pledged for the Parking System Revenue Bonds)	128,139,973	-
Sales and Services of Component Units	-	297,588,319
Royalties and Licensing Fees	-	2,428,169
Gifts and Donations	-	69,180,470
Interest on Loans and Notes Receivable	223,780	-
Other Operating Revenues	10,598,535	46,931,387
Total Operating Revenues	755,955,853	469,596,480
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	772,151,583	223,145,526
Services and Supplies	266,866,906	172,284,864
Utilities and Communications	25,011,467	3,195,840
Scholarships, Fellowships, and Waivers	77,295,002	7,084,053
Depreciation	49,456,584	17,251,509
Self-Insurance Claims	2,947,300	-
Total Operating Expenses	1,193,728,842	422,961,792
Operating Income (Loss)	(437,772,989)	46,634,688
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	352,851,346	-
Federal and State Student Financial Aid	100,562,374	-
Noncapital Grants and Donations	26,897,457	-
Investment Income	6,076,091	13,694,264
Other Nonoperating Revenues	318,769	-
Loss on Disposal of Capital Assets	(6,282,331)	-
Interest on Capital Asset-Related Debt	(1,373,265)	(10,439,377)
Other Nonoperating Expenses	(39,763,340)	(17,766,313)
Net Nonoperating Revenues (Expenses)	439,287,101	(14,511,426)
Income Before Other Revenues	1,514,112	32,123,262
State Capital Appropriations	43,842,065	-
Capital Grants, Contracts, Donations, and Fees	3,228,748	-
Increase in Net Position	48,584,925	32,123,262
Net Position, Beginning of Year	1,174,889,647	672,762,823
Adjustment to Beginning Net Position	(135,728,822)	-
Net Position, Beginning of Year, as Restated	1,039,160,825	672,762,823
Net Position, End of Year	$ 1,087,745,750	$ 704,886,085

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

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University of South Florida
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 271,573,351
Grants and Contracts	343,642,488
Sales and Services of Educational Departments	96,944
Sales and Services of Auxiliary Enterprises	125,409,296
Interest on Loans and Notes Receivable	237,470
Payments to Employees	(756,730,551)
Payments to Suppliers for Goods and Services	(288,281,333)
Payments to Students for Scholarships and Fellowships	(77,295,002)
Payments on Self-Insurance Claims and Expenses	(2,527,462)
Loans Issued to Students	(1,314,166)
Collection on Loans to Students	1,444,831
Other Operating Receipts	11,077,604
Net Cash Used by Operating Activities	(372,666,530)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	352,851,346
Federal and State Student Financial Aid	100,562,374
Noncapital Grants, Contracts, and Donations	24,852,623
Federal Direct Loan Program Receipts	252,386,862
Federal Direct Loan Program Disbursements	(252,386,862)
Operating Subsidies and Transfers	(3,027,682)
Net Change in Funds Held for Others	854,690
Other Nonoperating Receipts	318,769
Other Nonoperating Disbursements	(24,054,499)
Net Cash Provided by Noncapital Financing Activities	452,357,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	19,452,842
Capital Grants, Contracts, Donations and Fees	899,242
Capital Subsidies and Transfers	(18,673,292)
Purchase or Construction of Capital Assets	(36,661,430)
Principal Paid on Capital Debt and Leases	(3,158,670)
Interest Paid on Capital Debt and Leases	(1,257,776)
Net Cash Provided by Capital and Related Financing Activities	(39,399,084)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	41,673,408
Purchase of Investments	(98,353,650)
Investment Income	14,521,372
Net Cash Used by Investing Activities	(42,158,870)
Net Decrease in Cash and Cash Equivalents	(1,866,863)
Cash and Cash Equivalents, Beginning of Year	47,972,793
Cash and Cash Equivalents, End of Year	$ 46,105,930

University of South Florida
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2015

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (437,772,989)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	49,456,584
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,588,774
Loans and Notes Receivable, Net	130,665
Inventories	644,983
Other Assets	666,318
Accounts Payable	2,889,737
Salaries and Wages Payable	1,580,275
Deposits Payable	456,561
Unearned Revenue	(6,240,041)
Estimated Insurance Claims Payable	419,838
Compensated Absences Payable	4,857,008
Other Postemployment Benefits Payable	17,048,000
Net Pension Liability	(47,379,534)
Deferred Outflows of Resources Related to Pensions	(36,853,924)
Deferred Inflows of Resources Related to Pensions	75,841,215
NET CASH USED BY OPERATING ACTIVITIES	$ (372,666,530)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
The fair value of the Marshall Center that was transferred to the University from the USF Financing Corporation, was recognized on the statement of net position, but is not a cash transaction for the statement of cash flows.	$ 53,250,328
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (8,445,281)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 2,252,006
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net positon, but are not cash transactions for the statement of cash flows.	$ (6,282,331)

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

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Medical Professional Liability Self-Insurance Program is included within the University's reporting entity as a blended component unit. The Medical Professional Liability Self-Insurance Program was created in 1972 and provides medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in medical programs at the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following affiliated organizations (direct-support organizations) are included within the University reporting entity as discretely presented component units. An annual audit of each discretely presented component unit's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Direct Support Organizations. The University's direct-support organizations are provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of South Florida Foundation, Inc., accepts, invests, administers, and distributes private gifts given for the funding of activities and facilities directly related to the mission, role, and scope of the University of South Florida.
- The University of South Florida Alumni Association, Inc., fosters the spirit of loyalty and fraternity among the graduates, former students, and friends of the University, and promotes their continued active interest in and on behalf of the University.
- The University of South Florida Medical Services Support Corporation has been developed to provide certain non-physician personnel in support of the operation of facilities that the University owns or governs and utilizes for the education, research, and patient care programs of the College of Medicine.
- The Sun Dome, Inc., operates a multi-purpose facility on behalf of the University of South Florida to provide the students, faculty, and staff of the University, as well as the general public, an array of cultural, athletic, and other educational events and activities, including a variety of entertainment events.
- The University of South Florida Research Foundation, Inc., has been established to provide a means by which inventions and works may be developed, protected, applied, and utilized so that the results of University research will be made available to the public and funds will be made available from the commercial application of inventions and works to be dedicated to the benefit of the University and shared with the inventor/author.
- The USF Financing Corporation was organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida.
- The USF Property Corporation was formed for the primary purpose of acting as lessor in connection with "lease-purchase" financings in support of the activities and educational purposes of the University of South Florida and of the USF Financing Corporation by assisting in acquiring facilities and constructing facilities on the University campus and in general, furthering the University's education mission.
- The USF Health Professions Conferencing Corporation was established to provide educational, administrative, logistical, and financial services to support the USF Health's Office of Continuing Professional Development (OCPD). The OCPD is committed to sponsoring quality continuing educational activities to meet the needs of USF faculty, alumni, and healthcare professionals practicing throughout the State, nationally, and internationally.
- The University Medical Service Association, Inc., a Faculty Practice Plan as provided for in Board of Governors Regulation 9.017, provides educationally oriented clinical practice settings and opportunities through which faculty members provide health and medical care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the University is authorized to regulate fees generated from faculty practice and maintain the Faculty Practice Plan for the orderly collection and distribution of fees.

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

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

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

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB standards of accounting and financial reporting, and others follow FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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, investment income (net of unrealized gains or losses on investments) and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

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

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 7 to 10 years
- Other Capital Assets – 3 to 20 years
- Works of Art and Historical Treasures – 5 years

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, 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 Change

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which 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 University participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $135,728,822 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; 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 Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2015, are reported at fair value, as follows:

Investment Type	Amount
United States Treasury Securities	$ 13,390,104
Obligations of United States Government	
Agencies and Instrumentalities	1,504,707
Bonds and Notes	17,514,974
Stocks and Other Equity Securities	11,263,856
Hedge Funds	26,920,704
Mutual Funds	
Equities	99,441,947
Bonds	331,920,371
Money Market	77,606,292
Total University Investments	$ 579,562,955

The University's discretely presented component units' investments at June 30, 2015, are reported at fair value as follows:

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation	University Medical Service Association, Inc.	USF Health Professions Conferencing Corporation	Total
Bonds and Notes	$ -	$ -	$ -	$ -	$15,354,349	$ -	$ 15,354,349
Stocks and Other							
Equity Securities	-	-	4,188,672	-	9,062,523	-	13,251,195
Investment							
Agreements	92,331,008	883,026	3,670,818	1,354,502	3,477,736	-	101,717,090
Mutual Funds:							
Equities	281,856,382	3,385,420	13,502,422	-	-	-	298,744,224
Bonds	121,148,576	1,421,841	8,119,351	-	-	8,280	130,698,048
Money Market	13,125,198	153,697	2,082,174	10,453,664	8,857,954	-	34,672,687
Total Component Units' Investments	$508,461,164	$ 5,843,984	$ 31,563,437	$11,808,166	$36,752,562	$ 8,280	$594,437,593

The University's investments (which include investments of its blended component unit, the Medical Professional Liability Self-Insurance Program), and investments of the University of South Florida Research Foundation, Inc. (Research Foundation), a discretely presented component unit, consisted of various debt, equity and equity-type securities, hedge funds, and equity, bond, and money market mutual funds. The University's investment policy, the Medical Professional Liability Self-Insurance Program's investment policy, and the Research Foundation's investment policy allow investments in cash and cash equivalents, equities, mutual funds, and fixed-income investments. The University's investment policy and the Research Foundation's investment policy also allow investments in hedge funds. The following risks apply to the University, Medical Professional Liability Self-Insurance Program, and Research Foundation's investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University, Medical Professional Liability Self-Insurance Program, and the Research Foundation investment policies limit the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State, and municipal securities investments) to a weighted-average duration of less than five years. For long-term investments, the University and Research Foundation investment policies do not limit the duration for long-term corporate notes or other direct debt obligations. The University and Research Foundation's investment policies provide for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Medical Professional Liability Self-Insurance Program's investment policy provides that all fixed-income securities investments shall be rated in the top three rating classifications as defined by both Moody's and Standard & Poor's. The University and Research Foundation investment policies provide for credit risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the University, Medical Professional Liability Self-Insurance Program and Research Foundation investments in debt securities, hedge funds, and mutual funds at June 30, 2015:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating: Moody's	Credit Quality Rating: Standard and Poor's	Fair Value
United States Treasury Securities (2)	3.36 Years	(1)	(1)	$ 13,390,104
Obligations of United States Government Agencies and Instrumentalities (2)	1.44 Years	Aaa	AA+	1,504,707
Bonds and Notes (2)	3.48 Years	Aa1 - Baa1	AAA - BBB+	16,588,673
Bonds and Notes (2)	0.13 Years	Aaa - Aa2	Not Rated	926,301
Bond Mutual Funds (3)	2.94 Years	Not Rated	Not Rated	331,920,371
Hedge Funds (3)	Not Applicable	Not Rated	Not Rated	26,920,704
Money Market Mutual Funds (2)	38 Days	Aaa-mf	AAAm	354,129
Money Market Mutual Funds (3)	21 Days	Aaa-mf	AAAm	77,252,163
Total				$ 468,857,152

Notes: (1) Disclosure of credit risk is not required for this investment type.
(2) Medical Professional Liability Self-Insurance Program.
(3) University.

University of South Florida Research Foundation, Inc.
Investment Maturity

Investment Type	Fair Value	Investment Maturities (In Years): Less Than 1	1-5	6-10	More Than 10
Mutual Funds					
Bonds	$ 8,119,351	$ 378,020	$ 4,248,775	$ 3,156,247	$ 336,309
Money Market	2,082,174	2,082,174	-	-	-
Total	$ 10,201,525	$ 2,460,194	$ 4,248,775	$ 3,156,247	$ 336,309

		University of South Florida Research Foundation, Inc. Quality Ratings (1)			
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Less Than A or Not Rated**
Mutual Funds					
Bonds	$ 8,119,351	$ 236,209	$ 680,489	$ 2,459,301	$ 4,743,352
Money Market	2,082,174	1,605,083	-	-	477,091
Total	$ 10,201,525	$ 1,841,292	$ 680,489	$ 2,459,301	$ 5,220,443

Note: (1) Rated by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the University and not registered in their names. Investments for the University are held in counterparty accounts as custodian. The University investment policy provides for custodial credit risk. All investments for the Medical Professional Liability Self-Insurance Program are held in counterparty accounts as custodian.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University, Medical Professional Liability Self-Insurance Program, and Research Foundation investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies, and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and the Research Foundation. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2015.

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

Description	**Amount**
Contracts and Grants	$ 45,256,674
Student Tuition and Fees	12,820,471
Other	16,835,417
Total Accounts Receivable	$ 74,912,562

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $13,264,958 and $2,960,231, respectively, at June 30, 2015.

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

6. Due From State

The amount due from State consists of $52,865,000 from Public Education Capital Outlay, $9,482,765 from Capital Improvement Fee Trust Fund, and $4,288,118 from lottery allocations due from the State to the University for construction of University facilities.

7. Due From and To Component Units/University

The $9,268,445 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($5,753,624), for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. ($166,247) for operating expenses; from the University of South Florida Foundation, Inc. ($2,327,313), primarily for salary support and the Alec P. Courtelis Facility Matching Gift fund; from the USF Health Professions Conferencing Corporation ($972,778) for program residuals; and from the University of South Florida Alumni Association, Inc. ($48,483) for payroll and other expenses.

The $92,460,404 reported as due to component units represents amounts owed by the University to the USF Financing Corporation for the construction and financing of buildings and pledged revenues ($89,141,110); to the University Medical Service Association, Inc. ($3,297,014) for deposits made to support the funding of salaries and other operating expenses at USF Health; and to the University of South Florida Medical Services Support Corporation ($22,280) for payroll expenses.

8. Inventories

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- Merchandise Inventory – Those inventories maintained that are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 14,785,490	$ -	$ 779,238	$ -	$ 15,564,728
Works of Art and Historical Treasures	1,229,089	-	42,000	71,000	1,200,089
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	13,322,830	-	21,611,987	14,005,187	20,929,630
Total Nondepreciable Capital Assets	$ 30,511,159	$ -	$ 22,433,225	$ 14,076,187	$ 38,868,197
Depreciable Capital Assets:					
Buildings	$ 1,065,027,670	$ 63,967,180	$ 14,003,313	$ 3,610,779	$ 1,139,387,384
Infrastructure and Other Improvements	72,206,330	-	2,783,920	10,239,868	64,750,382
Furniture and Equipment	162,554,525	-	10,290,666	9,800,881	163,044,310
Library Resources	16,603,887	-	4,345,483	5,880,154	15,069,216
Property Under Capital Leases	228,037	-	-	-	228,037
Works of Art and Historical Treasures	144,599	-	180,001	-	324,600
Other Capital Assets	26,541,967	-	446,319	802,190	26,186,096
Total Depreciable Capital Assets	1,343,307,015	63,967,180	32,049,702	30,333,872	1,408,990,025
Less, Accumulated Depreciation:					
Buildings	402,516,196	10,716,852	30,072,194	2,217,398	441,087,844
Infrastructure and Other Improvements	35,433,220	-	2,828,551	6,665,345	31,596,426
Furniture and Equipment	103,211,185	-	13,673,925	8,594,782	108,290,328
Library Resources	11,751,968	-	1,306,068	5,879,304	7,178,732
Property Under Capital Leases	36,998	-	19,804	-	56,802
Works of Art and Historical Treasures	137,433	-	26,000	-	163,433
Other Capital Assets	21,913,215	-	1,530,042	660,404	22,782,853
Total Accumulated Depreciation	575,000,215	10,716,852	49,456,584	24,017,233	611,156,418
Total Depreciable Capital Assets, Net	$ 768,306,800	$ 53,250,328	$ (17,406,882)	$ 6,316,639	$ 797,833,607

Note: (1) Adjustments to capital assets resulted from the transfer of the Marshall Center facility from the USF Financing Corporation due to the conversion of Series 2005C certificates of participation to Series 2015 revenue bonds, thereby terminating the ground lease related to the property.

10. Unearned Revenue

Unearned revenue includes Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2015, to spend the funds, amounts received from contracts and grants, and auxiliary prepayments received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 31,761,198
Capital Appropriations	976,283
Auxiliary Prepayments	1,488,274
Total Unearned Revenue	$ 34,225,755

11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, installment purchase payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 28,167,456	$ -	$ 2,899,510	$ 25,267,946	$ 3,158,759
Installment Purchase Payable	74,731	142,002	107,225	109,508	26,777
Capital Leases Payable	156,252	-	47,626	108,626	40,936
Estimated Insurance Claims Payable	19,010,410	2,947,300	2,527,462	19,430,248	1,961,260
Compensated Absences Payable	69,561,459	10,719,973	5,862,965	74,418,467	6,418,661
Federal Advance Payable	4,371,552	-	77,981	4,293,571	-
Other Postemployment Benefits Payable	75,183,000	19,790,000	2,742,000	92,231,000	-
Net Pension Liability (1)	153,757,811	46,490,669	93,870,203	106,378,277	2,099,508
Total Long-Term Liabilities	$ 350,282,671	$ 80,089,944	$ 108,134,972	$ 322,237,643	$ 13,705,901

Note: (1) The beginning balance resulted from the Implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2015:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Debt:				
1994 Bookstore	$ 8,090,000	$ 676,389	6.00	2016
2002 Parking	12,700,000	6,248,664	4.375 to 4.75	2023
2004A Parking	16,000,000	7,185,326	3.625 to 5.00	2024
2006A Parking	17,020,000	11,157,567	4.10 to 5.00	2026
Total Capital Improvement Debt	$ 53,810,000	$ 25,267,946		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future traffic and parking fees and various student fee assessments to repay $25,267,946 in capital improvement (parking and bookstore) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and a bookstore facility. The bonds are payable solely from traffic and parking fees, transportation access fees, and bookstore revenue and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, transportation access fees, and bookstore revenue, amounts sufficient to cover the principal and interest requirements on the debt.

Total principal and interest remaining on the debt is $31,349,471, and principal and interest paid for the current year totaled $4,273,279. During the 2014-15 fiscal year, traffic and parking fees, transportation access fees, and bookstore revenue totaled $10,665,168, $3,131,244, and $1,406,276, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 3,165,000	$ 1,115,629	$ 4,280,629
2017	2,225,000	954,766	3,179,766
2018	2,315,000	863,924	3,178,924
2019	2,415,000	768,299	3,183,299
2020	2,515,000	667,211	3,182,211
2021-2025	11,410,000	1,633,617	13,043,617
2026	1,245,000	56,025	1,301,025
Subtotal	25,290,000	6,059,471	31,349,471
Net Discounts and Premiums	(22,054)	-	(22,054)
Total	$ 25,267,946	$ 6,059,471	$ 31,327,417

Installment Purchase Payable. The University has entered into an installment purchase agreement for the purchase of equipment reported at $142,002. The stated interest rate was 2.2 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 28,821
2017	28,821
2018	28,822
2019	28,821
Total Minimum Payments	115,285
Less, Amount Representing Interest	5,777
Present Value of Minimum Payments	$ 109,508

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of $228,037. The imputed interest rates range from zero percent to 10.2 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 45,852
2017	35,981
2018	35,981
Total Minimum Payments	117,814
Less, Amount Representing Interest	9,188
Present Value of Minimum Payments	$ 108,626

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $74,418,467. The current portion of the compensated absences liability, $6,418,661, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled $4,293,571.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 944 retirees received postemployment healthcare benefits. The University provided required contributions of $2,742,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $6,390,000, which represents 1.3 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 11,046,000
Amortization of Unfunded Actuarial Accrued Liability	7,597,000
Interest on Normal Cost and Amortization	746,000
Annual Required Contribution	19,389,000
Interest on Net OPEB Obligation	3,007,000
Adjustment to Annual Required Contribution	(2,606,000)
Annual OPEB Cost (Expense)	19,790,000
Contribution Toward the OPEB Cost	(2,742,000)
Increase in Net OPEB Obligation	17,048,000
Net OPEB Obligation, Beginning of Year	75,183,000
Net OPEB Obligation, End of Year	$ 92,231,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 20,735,000	20.3%	$ 57,446,000
2013-14	21,708,000	18.3%	75,183,000
2014-15	19,790,000	13.9%	92,231,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $247,391,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $247,391,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $501,145,195 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 49.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled $106,378,277. Note 13 includes a complete discussion of defined benefit pension plans.

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

Certificates of Participation Series 2003A. The Series 2003A Certificates were issued pursuant to an amended and supplemented trust indenture, dated March 1, 2003, by and between the University of South Florida Foundation, Inc. (Foundation), and a trustee. The $13,200,000 Certificates were issued to finance the construction of an athletic training facility located on the University's Tampa campus pursuant to a ground lease between the University and the Foundation. The Certificates were issued as variable rate debt secured by a direct-pay letter of credit issued by the trustee. Due to downgrades of the trustee's short-term credit rating, the Certificates were remarketed at interest rates reflective of the credit quality of the trustee, causing increased interest costs. On March 15, 2011, the trustee agreed to convert the interest rate from variable to fixed and purchase the Certificates for their own account. Simultaneously with the conversion to a fixed rate, the USF Financing Corporation accepted an assignment from the Foundation of its rights, title, interest, and obligations related to the $9,905,000 outstanding Series 2003A

Certificates. The Series 2003A tax-exempt Certificates bear a fixed interest rate equal to 3.14 percent. The Series 2003A Certificates mature in 2022.

The 2003A Certificates were issued pursuant to the terms of a Trust Indenture dated as of March 1, 2003, by and between the Foundation and the Trustee, as amended and supplemented from time to time, including particularly, as supplemented by that certain First Supplement to Trust Indenture dated November 16, 2005, the Second Supplement to Trust Indenture dated as of March 8, 2011, and the Third Supplement and Amendment to Trust Indenture dated as of March 15, 2011, both by and between the Foundation and the Trustee. The project is leased by the Foundation to the University Board of Trustees pursuant to a Master Operating Lease dated as of March 1, 2003, as amended by the First Amendment to Master Operating Lease dated December 1, 2005, each by and between the Foundation, as lessor, and the University Board, as lessee.

For the Series 2003A Certificates, the Foundation has entered into a Master Ground Lease Agreement dated as of March 1, 2003, by and between the University Board of Trustees, as ground lessor, and the Foundation, as ground lessee.

Certificates of Participation Series 2010A and 2010B. On December 23, 2010, the USF Financing Corporation issued $2,860,000 Certificates of Participation Series 2010A (Tax-Exempt) and $15,140,000 Certificates of Participation Series 2010B (Build America Bonds). The proceeds of the Series 2010A and 2010B Certificates were used to (1) finance the acquisition, construction, and installation of a mixed-use facility that includes a student center and a student housing facility on the University's St. Petersburg Campus, (2) fund capitalized interest accounts, and (3) pay certain expenses related to the issuance and sale of the Series 2010A and 2010B Certificates. The Series 2010A fixed rate Certificates have interest rates ranging from 3.25 to 5 percent. As the Series 2010B fixed rate Certificates were issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate, which is 8.35 and 8.55 percent. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.6 percent. The Series 2010A Certificates mature in 2020 and the Series 2010B Certificates mature in 2040.

The Series 2010A and 2010B Certificates were issued pursuant to a Master Trust Agreement dated as of May 1, 2005, as supplemented by the Series 2010 Supplemental Trust Agreement, dated December 1, 2010, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2010A and 2010B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated December 1, 2010, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the Series 2010 Projects are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let property; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Pursuant to a support agreement dated December 1, 2010, by and among the University of South Florida Foundation, Inc., the USF Property Corporation, and the USF Financing Corporation, the Foundation guaranteed to pay the deficiency between the principal and interest requirement on the Series 2010A and

2010B Certificates allocable to the student center portion and the University's activity and service fees pledged to cover the student center debt service. The principal and interest requirement associated with the student center is approximately 43 percent of the basic rent payment due under the lease agreement.

Certificates of Participation Series 2012A Remarketing (refunded Series 2012A Certificates). On May 6, 2015, the USF Financing Corporation issued $77,015,000 Series 2012A Remarketing Certificates of Participation to convert the Series 2012A Certificates of Participation from variable rate to fixed rate Certificates. The tax-exempt, fixed rate Remarketing Certificates have interest rates ranging from 2 to 5 percent and mature in 2035.

The Series 2012A Certificates were originally issued on October 1, 2012 as variable rate Certificates, to refund the Series 2005B Certificates. The Series 2005B Certificates were issued on May 25, 2005, and the proceeds were used to (1) finance the cost to lease purchase certain student housing facilities existing on the University's Tampa campus, (2) acquire, construct, and equip a housing facility and a related parking facility on the University's St. Petersburg campus, and (3) pay certain expenses related to the issuance and sale of the Series 2005B Certificates, including the financial guaranty insurance policy premium. On March 18 and 20, 2008, the USF Financing Corporation converted the Series 2005B Certificates from auction rate securities to variable rate demand bonds with weekly rate periods. The Certificates were secured by an irrevocable direct pay letter of credit.

The Series 2012A variable rate Certificates were largely hedged to limit the effect of changes in interest rates. On April 15, 2015, in connection with the reissuance of the Certificates, the USF Financing Corporation terminated the interest rate swap agreement related to these Certificates.

The Series 2012A Remarketing Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012A Supplemental Trust Agreement, dated October 1, 2012, and amended on April 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

For the Series 2012A Remarketing Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated May 1, 2005, and amended on May 1, 2015, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the housing and parking facilities are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation Series 2012B (refunded Series 2007 Certificates – Housing). On October 1, 2012, the USF Financing Corporation issued $68,975,000 Certificates of Participation Series 2012B to refund the Series 2007 Certificates of Participation – Housing. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.35 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates – Housing, issued on September 25, 2007, were used to (1) finance the cost to acquire, construct, and equip a certain housing facility on the University's Tampa campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the Series 2007 Certificates, including the financial guaranty insurance policy premium. The Series 2007 Certificates – Housing initially carried interest at auction rates for generally successive seven day auction periods. On March 24, 2008, the USF Financing Corporation converted the Series 2007 Certificates – Housing from auction rate securities to variable rate demand bonds with a weekly rate period. In connection with the conversion, the USF Financing Corporation surrendered the municipal bond insurance policy. The Series 2007 Certificates were then secured pursuant to an irrevocable direct pay letter of credit, prior to being refunded by the Series 2012B Certificates.

The Series 2012B Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012B Supplemental Trust Agreement, dated October 1, 2012, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2012B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated September 1, 2007, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the Magnolia Residence Hall is located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation Series 2013A (refunded Series 2006A Certificates). On September 3, 2013, the USF Financing Corporation issued $41,650,000 Certificates of Participation Series 2013A, to refund the Series 2006A Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.23 and mature in 2036.

The proceeds derived from the issuance of the Series 2006A Certificates, issued on March 16, 2006, were used to (1) finance the acquisition and construction of two fully-equipped medical office buildings consisting of the North Clinic Facility and the South Clinic Facility and (2) pay certain expenses related to the issuance and sale of the Series 2006A Certificates. The Series 2006A Certificates initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to two separate irrevocable direct-pay letters of credit, prior to being refunded by the Series 2013A Certificates.

The Series 2013A Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013A Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2013A Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated March 1, 2006, with the University Board of Trustees whereby the University has leased to the USF Property Corporation interest in the lands on which the North Clinic Facility and the South Clinic Facility were constructed. With respect to the South Clinic Facility site, the University Board of Trustees possesses sublease interest in the site pursuant to a sublease, dated March 15, 2006, between the University and Florida Health Science Center, Inc., d/b/a Tampa General Hospital, whereby Tampa General Hospital has subleased to the University the land on which the South Clinic Facility was constructed. The USF Financing Corporation has subleased both the North Clinic Facility and the South Clinic Facility to the University of South Florida Medical Services Support Corporation (MSSC), a direct-support organization of the University, pursuant to individual office building lease agreements, each dated March 1, 2006.

The University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, has guaranteed all payments due from MSSC to the USF Financing Corporation under both Facility Lease Agreements pursuant to a Lease Guaranty, dated March 1, 2006, between UMSA and the USF Financing Corporation. The USF Financing Corporation's right to receive all payments received from MSSC under the Facility Lease Agreements and any payments required to be made by UMSA under the Lease Guaranty are collaterally assigned to the Trustee pursuant to one or more separate assignments. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation 2013B (refunded Series 2007 Certificates – Health). On September 3, 2013, the USF Financing Corporation issued $20,855,000 Certificates of Participation Series 2013B, to refund the Series 2007 Health Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.25 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates – Health, issued on November 19, 2007, were used to (1) provide funds for the purpose of financing the acquisition, construction, installation and equipping of a medical office building located on the University's Tampa Campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the 2007 Certificates. The Series 2007 Certificates – Health initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to an irrevocable direct-pay letter of credit, prior to being refunded by the Series 2013B Certificates.

The Series 2013B Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013B Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2013B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated November 1, 2007, with the University Board of Trustees whereby the University has leased to the USF Property Corporation interest in the lands on which the Medical Office Building is constructed. The USF Financing Corporation has subleased the Medical Office Building to MSSC pursuant to a facility lease agreement, dated November 1, 2007.

The University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, has guaranteed all payments due from MSSC to the USF Financing Corporation under the Facility Lease Agreement pursuant to a Lease Guaranty, dated November 19, 2007, between UMSA and the USF Financing Corporation. The USF Financing Corporation's right to receive all payments received from MSSC under the Facility Lease Agreement and any payments required to be made by UMSA under the Lease Guaranty are collaterally assigned to the Trustee pursuant to one or more separate assignments. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

<u>Certificates of Participation Series 2015A (refunded Series 2005A Certificates)</u>. On May 6, 2015, the USF Financing Corporation issued $23,640,000 Certificates of Participation Series 2015A to refund the Series 2005A Certificates of Participation. The 2015A tax-exempt, fixed rate Certificates have interest rates ranging from 2.63 to 5 percent and mature in 2023.

The proceeds of the Series 2005A Certificates, issued on May 25, 2005, were used to (1) retire or defease the University's prior housing financings, and (2) pay certain expenses related to the issuance and sale of the Series 2005A Certificates, including the financial guaranty insurance policy premium.

The Series 2015A Certificates were issued pursuant to a Master Trust Agreement, dated as of May 1, 2005, as supplemented by the Series 2015A Supplemental Trust Agreement, dated as of May 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

For the Series 2015A Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated as of May 1, 2005, and amended on May 1, 2015, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the housing facilities are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

<u>Bonds Series 2015 - Marshall Center (refunded Series 2005C Certificates)</u>. On May 6, 2015, the USF Financing Corporation issued $31,595,000 Series 2015 Capital Improvement Refunding Revenue Bonds – Marshall Center to refund the Series 2005C Certificates of Participation. The tax-exempt, fixed rate Bonds have interest rates ranging from 2 to 5 percent and mature in 2036.

The proceeds derived from the issuance of the Series 2005C Certificates, issued on January 19, 2006, were used to (1) finance the construction of the Marshall Center student center, and (2) pay certain expenses related to the issuance and sale of the Series 2005C Certificates including the financial guaranty insurance policy premium.

On May 6, 2015, in connection with the refunding of the Series 2005C Certificates with the Series 2015 Marshall Center Bonds, the ground lease agreement related to the Housing facilities was amended and the Marshall Center was removed from the subject parcel. The ground lease agreement requires that any property, and improvements thereon, revert back to the University upon termination of the ground lease. Thus, on the same date, the USF Financing Corporation transferred the Marshall Center building and building improvements to the University at net book value.

<u>Notes Series 2010A and 2010B Athletics</u>. On January 15, 2010, and December 15, 2010, the USF Financing Corporation issued the $10,000,000 Series 2010A Taxable Promissory Note and $13,500,000 Series 2010B Taxable Promissory Note, respectively. The proceeds of the Notes were used to finance the acquisition, construction, and equipping of the athletics district facilities. The Series 2010A and 2010B fixed rate Notes have gross interest rates of 8.02 and 6.17 percent, respectively. As the Notes were issued under the Build America Bonds program, the net interest costs are equal to 65 percent of the gross interest rates. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidies were reduced and the net interest costs equaled 67.6 percent. The Series 2010A and 2010B Notes mature in 2030 and 2031, respectively.

For the Series 2010A and 2010B Notes, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of January 15, 2010, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the athletics district facilities are located.

Note Series 2010 CAMLS. On December 15, 2010, the USF Financing Corporation issued the $20,000,000 Series 2010 CAMLS Taxable Promissory Note. The proceeds of the Note were used to finance the acquisition, construction, and equipping of the USF Center for Advanced Medical Learning and Simulation (CAMLS) facility. The Series 2010 Note has a gross interest rate of 6.17 percent. As the Note was issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.6 percent. The Series 2010 Note matures in 2031.

For the Series 2010 CAMLS Note, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of December 15, 2010, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The USF Financing Corporation has subleased the CAMLS facility to the USF Health Professions Conferencing Corporation, a direct-support organization of the University, pursuant to a facility lease agreement.

Note Series 2013 Arena. On September 27, 2013, the USF Financing Corporation issued the $20,000,000 Series 2013 Arena Taxable Promissory Note. The proceeds of the Note were used to reimburse the University of South Florida for a portion of the costs undertaken by the University to renovate the USF Arena and Convocation Center. The Series 2013 Note has an interest rate of 4.78 percent and matures in 2033.

Principal and Interest Payments. Principal and interest payment requirements on the long term debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 7,039,981	$ 14,370,386	$ 21,410,367
2017	11,075,998	16,137,309	27,213,307
2018	11,543,417	15,663,015	27,206,432
2019	12,017,668	15,125,940	27,143,608
2020	12,569,217	14,545,349	27,114,566
2021-2025	70,256,291	63,014,088	133,270,379
2026-2030	86,678,280	43,265,325	129,943,605
2031-2035	89,976,239	20,449,461	110,425,700
2036-2040	39,690,000	3,290,640	42,980,640
Subtotal	340,847,091	205,861,513	546,708,604
Premiums	17,557,653	-	17,557,653
Total	$ 358,404,744	$ 205,861,513	$ 564,266,257

Interest Rate Swap Agreements. To reduce the USF Financing Corporation's risk of interest rate changes with respect to the Series 2012A Certificates (refunded 2005B Certificates), on May 25, 2005, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty with a total notional amount of $80,000,000. In conjunction with the issuance of the Series 2012A Remarketing Certificates, the Corporation terminated the swap agreement as of April 15, 2015.

Effective March 16, 2006, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013A Certificates (refunded Series 2006A Certificates). The initial notional amount of the swap agreement is $47,315,000. The effect of the agreement is to limit the interest expense on the total $40,450,000 principal in variable rate Series 2013A Certificates. The interest rate on the swap agreement is 3.578 percent and the swap agreement expires July 1, 2016.

Effective September 25, 2007, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2012B Certificates (refunded Series 2007 Certificates – Housing). The initial notional amount of the swap agreement is $73,700,000. The effect of the agreement is to limit the interest expense on the total $65,500,000 principal in variable rate Series 2012B Certificates. The interest rate on the swap agreement, as amended on March 24, 2008, is 3.552 percent and the interest rate swap agreement expires July 1, 2037.

Effective November 19, 2007, the USF Financing Corporation entered into an interest swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013B Certificates (refunded Series 2007 Certificates – Health). The initial notional amount of the interest rate swap agreement is $22,830,000. The effect of the agreement is to limit the interest expense on the total $20,315,000 principal in the variable rate Series 2013B Certificates. The interest rate on the swap agreement is 3.397 percent and the swap agreement expires July 1, 2018.

The interest rate swap agreements contain collateral provisions to mitigate counterparty credit risk. The collateral provisions of the interest rate swap agreement relating to the Series 2012B Certificates require the USF Financing Corporation to maintain a rating of at least Baa1 by Moody's Investors Service or BBB+ by Standard & Poor's on its Housing Certificates. The provisions require the USF Financing

Corporation to post collateral, in the form of cash or securities, for the negative valuation exposure in excess of the $10 million minimum threshold level. Additionally, the collateral provisions of the interest rate swap agreement relating to the Series 2013B Certificates, amended August 19, 2014, require the USF Financing Corporation to post collateral, in the form of cash or securities, totaling $1,000,000, regardless of fluctuations in exposure. As of June 30, 2015, the total posted collateral was $6,640,000.

The fair value of the swap agreements is the estimated amount the USF Financing Corporation would receive or pay to terminate the agreement at the reporting date, taking into account the current interest rates and the current creditworthiness of the counterparties. As of June 30, 2015, the USF Financing Corporation interest rate swap agreements had a cumulative negative fair value of $16,976,262, which represents the amount to be paid to terminate the agreements at the reporting date.

As of June 30, 2015, the USF Financing Corporation was not exposed to credit risk on its outstanding interest rate swap agreements because the agreements had a negative fair value. However, should interest rates change and the fair value of the swap agreements become positive, the USF Financing Corporation would be exposed to credit risk in the amount of the derivative's fair value.

The USF Financing Corporation is exposed to the risk (basis risk) that a mismatch occurs between the interest cost of the underlying variable rate certificates and the variable rate payment received on the associated interest rate swap agreement. The USF Financing Corporation mitigates this risk by analyzing potential debt and swap interest rate index structures to ensure an effective hedge of the cash flows and tracks the spread of certificate rates paid to the hedged rates, typically a few basis points.

The USF Financing Corporation is exposed to the risk (rollover risk) that the interest rate swap agreements or letters of credit mature prior to the termination of the variable rate debt. The USF Financing Corporation mitigates this risk by assessing, years in advance of the maturity of these items, the amount of variable rate debt then outstanding and makes provisions for extending these items. Maintaining strong credit ratings for the USF Financing Corporation and the underlying bond system plays an important role in this process.

The USF Financing Corporation is exposed to the risk (termination risk) that the interest rate swap agreements could be terminated by the counterparty. The USF Financing Corporation mitigates this risk with interest rate swap agreements that restrict termination by the counterparty and, if terminated, posted collateral assets would provide a liquid offset. The USF Financing Corporation has an option to terminate the interest rate swap agreement and, in the case of the USF Financing Corporation owing a termination payment to the counterparty, the University would use cash balances or funds provided by the refinanced transaction.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program 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 and 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' Web site (www.dms.myflorida.com).

The University's pension expense totaled $12,944,417 for the 2014-15 fiscal year for the FRS Pension Plan and the HIS Program.

FRS Pension Plan

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

Class or Plan	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
FRS, Plan E	6.25	11.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $18,634,771 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $43,837,611 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.718476151 percent, which was an increase of 0.160424022 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $8,526,344. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,712,803
Change of assumptions	7,591,946	-
Net difference between projected and actual earnings on FRS pension plan investments	-	73,128,412
Changes in proportion and differences between University FRS contributions and proportionate share of contributions	23,232,604	-
University FRS contributions subsequent to the measurement date	18,634,771	-
Total	$ 49,459,321	$ 75,841,215

The deferred outflows of resources related to pensions totaling $18,634,771, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (12,978,000)
2017	(12,978,000)
2018	(12,978,000)
2019	(12,978,000)
2020	5,304,103
Thereafter	1,591,232
Total	$ (45,016,665)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, 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 pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	$ 187,499,290	$ 43,837,611	$ (75,661,490)

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

Payables to the Pension Plan. At June 30, 2015, the University reported a payable of $993,815 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may 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, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $2,701,889 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $62,540,666 for its proportionate share of the HIS Plan's 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 pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.668866670 percent, which was an increase of 0.006218887 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of $4,418,073, related to the HIS Plan. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 2,225,445
Net difference between projected and actual earnings on HIS pension plan investments	30,021
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	466,236
University contributions subsequent to the measurement date	2,701,889
Total	$ 5,423,591

The deferred outflows of resources related to pensions, totaling $2,701,889, resulting from University contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 441,647
2017	441,647
2018	441,647
2019	441,647
2020	434,142
Thereafter	520,972
Total	$ 2,721,702

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS 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. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
University's proportionate share of the net pension liability	$ 71,134,943	$ 62,540,666	$ 55,366,904

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.

14. Retirement Plans – Defined Contribution Pension Plans

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 of Florida 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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $3,917,915 for the fiscal year ended June 30, 2015.

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 FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS Pension Plan, and 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $19,786,629 and employee contributions totaled $14,058,924 for the 2014-15 fiscal year.

15. Construction Commitments

The University's construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Health Heart Institute	$ 34,381,001	$ 2,400,884	$ 31,980,117
USF St. Petersburg College of Business	15,566,483	2,087,773	13,478,710
USF Morsani College of Medicine	5,000,000	-	5,000,000
USF Health Student Wellness Center	4,790,540	373,966	4,416,574
USF Library Remodel	4,125,196	-	4,125,196
Subtotal	63,863,220	4,862,623	59,000,597
Other Projects (1)	39,816,810	16,067,007	23,749,803
Total	$ 103,680,030	$ 20,929,630	$ 82,750,400

Note: (1) Individual projects with current balance committed of less than $4 million at June 30, 2015.

16. Risk Management 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 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insurance Program.

The Medical Professional Liability Self-Insurance Program provides medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in medical programs at the University of South Florida.

The Program's retained risks range from payments on tort claims limited to $200,000 per claim and $300,000 per occurrence to $3 million per occurrence for professional liability up to an aggregate of $10 million for all payments made on claims arising during the fiscal year. Losses in excess of the individual and aggregate amounts, up to $15 million, are insured commercially. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2014, and June 30, 2015, are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
2013-14	$ 18,038,958	$ 2,419,350	$ (1,447,898)	$ 19,010,410
2014-15	19,010,410	2,947,300	(2,527,462)	19,430,248

17. Litigation

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

18. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 339,860,097
Research	263,589,687
Public Services	6,263,166
Academic Support	112,462,683
Student Services	47,798,960
Institutional Support	89,674,327
Operation and Maintenance of Plant	55,132,051
Scholarships, Fellowships, and Waivers	77,295,002
Depreciation	49,456,584
Auxiliary Enterprises	152,104,841
Loan Operations	91,444
Total Operating Expenses	$ 1,193,728,842

19. Segment Information

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

Condensed Statement of Net Position

	Parking Facility
Assets	
Current Assets	$ 11,691,306
Capital Assets, Net	40,199,015
Other Noncurrent Assets	9,389,710
Total Assets	61,280,031
Deferred Outflows of Resources	280,566
Liabilities	
Current Liabilities	2,577,021
Noncurrent Liabilities	23,340,195
Total Liabilities	25,917,216
Deferred Inflows of Resources	387,706
Net Position	
Net Investment in Capital Assets	15,607,458
Restricted - Expendable	10,232,210
Unrestricted	9,416,007
Total Net Position	$ 35,255,675

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

	Parking Facility
Operating Revenues	$ 13,803,615
Depreciation Expense	(1,781,002)
Other Operating Expenses	(8,773,942)
Operating Income	3,248,671
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	101,641
Interest Expense	(1,291,257)
Other Nonoperating Expense	(457,249)
Net Nonoperating Expenses	(1,646,865)
Increase in Net Position	1,601,806
Net Position, Beginning of Year	34,347,725
Adjustment to Beginning Net Position	(693,856)
Net Position, Beginning of Year, as Restated	33,653,869
Net Position, End of Year	$ 35,255,675

Condensed Statement of Cash Flows

	Parking Facility
Net Cash Provided (Used) by:	
Operating Activities	$ 5,098,184
Capital and Related Financing Activities	(4,104,957)
Investing Activities	(810,056)
Net Increase in Cash and Cash Equivalents	183,171
Cash and Cash Equivalents, Beginning of Year	3,298,605
Cash and Cash Equivalents, End of Year	$ 3,481,776

20. Blended Component Unit

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

Condensed Statement of Net Position

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Current Assets	$ 6,062,998	$ 713,644,390	$ -	$ 719,707,388
Capital Assets, Net	47,934	836,653,870	-	836,701,804
Other Noncurrent Assets	42,922,467	20,693,653	-	63,616,120
Total Assets	49,033,399	1,570,991,913	-	1,620,025,312
Deferred Outflows of Resources	-	54,882,912	-	54,882,912
Liabilities:				
Current Liabilities	2,012,414	200,777,103	-	202,789,517
Noncurrent Liabilities	17,468,988	291,062,754	-	308,531,742
Total Liabilities	19,481,402	491,839,857	-	511,321,259
Deferred Inflows of Resources	-	75,841,215	-	75,841,215
Net Position:				
Net Investment in Capital Assets	47,934	712,362,123	-	712,410,057
Restricted - Expendable	29,504,063	156,271,481	-	185,775,544
Unrestricted	-	189,560,149	-	189,560,149
Total Net Position	$ 29,551,997	$ 1,058,193,753	$ -	$ 1,087,745,750

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

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total
Operating Revenues	$ 6,066,281	$ 750,571,165	$ (681,593)	$ 755,955,853
Depreciation Expense	(11,308)	(49,445,276)	-	(49,456,584)
Other Operating Expenses	(5,867,003)	(1,139,086,848)	681,593	(1,144,272,258)
Operating Income (Loss)	187,970	(437,960,959)	-	(437,772,989)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	1,369,970	485,336,067	-	486,706,037
Interest Expense	-	(1,373,265)	-	(1,373,265)
Other Nonoperating Expense	-	(46,045,671)	-	(46,045,671)
Net Nonoperating Revenues	1,369,970	437,917,131	-	439,287,101
Other Revenues	-	47,070,813	-	47,070,813
Increase in Net Position	1,557,940	47,026,985	-	48,584,925
Net Position, Beginning of Year	27,994,057	1,146,895,590	-	1,174,889,647
Adjustment to Beginning Net Position	-	(135,728,822)	-	(135,728,822)
Net Position, Beginning of Year, as Restated	27,994,057	1,011,166,768	-	1,039,160,825
Net Position, End of Year	$ 29,551,997	$ 1,058,193,753	$ -	$ 1,087,745,750

Condensed Statement of Cash Flows

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total
Net Cash Provided (Used) by:				
Operating Activities	$ 1,825,024	$ (374,491,554)	$ -	$ (372,666,530)
Noncapital Financing Activities	-	452,357,621	-	452,357,621
Capital and Related Financing Activities	-	(39,399,084)	-	(39,399,084)
Investing Activities	(3,057,216)	(39,101,654)	-	(42,158,870)
Net Decrease in Cash and Cash Equivalents	(1,232,192)	(634,671)	-	(1,866,863)
Cash and Cash Equivalents, Beginning of Year	2,523,321	45,449,472	-	47,972,793
Cash and Cash Equivalents, End of Year	$ 1,291,129	$ 44,814,801	$ -	$ 46,105,930

21. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations								
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	University of South Florida Medical Services Support Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
Assets:									
Current Assets	$ 117,839,701	$ 913,116	$ 3,297,953	$ 9,421,917	$ 1,342,672	$ 13,925,777	$ 113,242,695	$ 84,156,841	$ 344,140,672
Capital Assets, Net	10,576,126	-	5,303,246	3,094,245	860,348	48,509,698	257,275,552	3,490,295	329,109,510
Other Noncurrent Assets	439,415,137	5,265,749	14,423	17,465	-	30,033,551	11,808,166	13,079,967	499,634,458
Total Assets	567,830,964	6,178,865	8,615,622	12,533,627	2,203,020	92,469,026	382,326,413	100,727,103	1,172,884,640
Deferred Outflows of Resources	-	-	-	-	-	1,691,644	-	-	1,691,644
Liabilities:									
Current Liabilities	6,598,423	1,981,867	6,893,142	4,962,702	1,101,779	9,211,716	12,628,245	16,365,962	59,743,836
Noncurrent Liabilities	5,995,394	-	1,109,715	517,966	687,233	33,246,644	368,341,025	48,386	409,946,363
Total Liabilities	12,593,817	1,981,867	8,002,857	5,480,668	1,789,012	42,458,360	380,969,270	16,414,348	469,690,199
Net Position:									
Net Investment in Capital Assets	4,432,706	-	2,883,663	2,727,824	53,115	16,408,032	-	3,490,295	29,995,635
Restricted	545,683,830	972,295	449,105	-	-	-	-	8,113,000	555,218,230
Unrestricted	5,120,611	3,224,703	(2,720,003)	4,325,135	360,893	35,294,278	1,357,143	72,709,460	119,672,220
Total Net Position	$ 555,237,147	$ 4,196,998	$ 612,765	$ 7,052,959	$ 414,008	$ 51,702,310	$ 1,357,143	$ 84,312,755	$ 704,886,085

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

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

	Direct-Support Organizations								
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	University of South Florida Medical Services Support Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
Operating Revenues	$ 65,540,033	$ 2,552,238	$ 24,471,135	$ 69,983,313	$ 7,077,401	$ 11,900,783	$ 55,144,856	$ 232,926,721	$ 469,596,480
Operating Expenses	(65,291,475)	(2,495,248)	(24,100,571)	(64,444,279)	(6,080,970)	(8,486,971)	(31,529,139)	(220,533,139)	(422,961,792)
Operating Income	248,558	56,990	370,564	5,539,034	996,431	3,413,812	23,615,717	12,393,582	46,634,688
Net Nonoperating Revenues (Expenses)	14,274,031	49,484	(1,477,671)	(4,249,783)	(424,653)	(797,947)	(22,053,583)	168,696	(14,511,426)
Increase (Decrease) in Net Position	14,522,589	106,474	(1,107,107)	1,289,251	571,778	2,615,865	1,562,134	12,562,278	32,123,262
Net Position, Beginning of Year	540,714,558	4,090,524	1,719,872	5,763,708	(157,770)	49,086,445	(204,991)	71,750,477	672,762,823
Net Position, End of Year	$ 555,237,147	$ 4,196,998	$ 612,765	$ 7,052,959	$ 414,008	$ 51,702,310	$ 1,357,143	$ 84,312,755	$ 704,886,085

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

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 166,372,000	$ 166,372,000	0%	$ 408,028,356	40.8%
7/1/2011	-	230,266,000	230,266,000	0%	463,709,057	49.7%
7/1/2013	-	247,391,000	247,391,000	0%	482,063,719	51.3%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2014 (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.718476151%	0.558052129%
University's proportionate share of the FRS net pension liability	$ 43,837,611	$ 96,065,609
University's covered-employee payroll (2)	$ 443,554,247	$ 431,524,683
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.88%	22.26%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 18,634,771	$ 15,737,677
FRS contributions in relation to the contractually required contribution	18,634,771	15,737,677
FRS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 466,345,909	$ 443,554,247
FRS contributions as a percentage of covered-employee payroll	4.00%	3.55%

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

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

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

	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.668866670%	0.662647783%
University's proportionate share of the HIS net pension liability	$ 62,540,666	$ 57,692,202
University's covered-employee payroll (2)	$ 194,843,828	$ 189,351,023
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.10%	30.47%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 2,701,889	$ 2,291,312
HIS contributions in relation to the contractually required HIS contribution	2,701,889	2,291,312
HIS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 208,898,281	$ 194,843,828
HIS contributions as a percentage of covered-employee payroll	1.29%	1.18%

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

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

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2013, unfunded actuarial accrued liability of $247,391,000 was higher than the July 1, 2011, liability of $230,266,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

Changes of assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 15, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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*.

The results of our operational audit of the University will be presented in a separate report.

Purpose of this Report

The purpose of the **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*** 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 report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2016

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UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended

June 30, 2016

UNIVERSITY OF SOUTH FLORIDA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2016, and June 30, 2015.

FINANCIAL HIGHLIGHTS

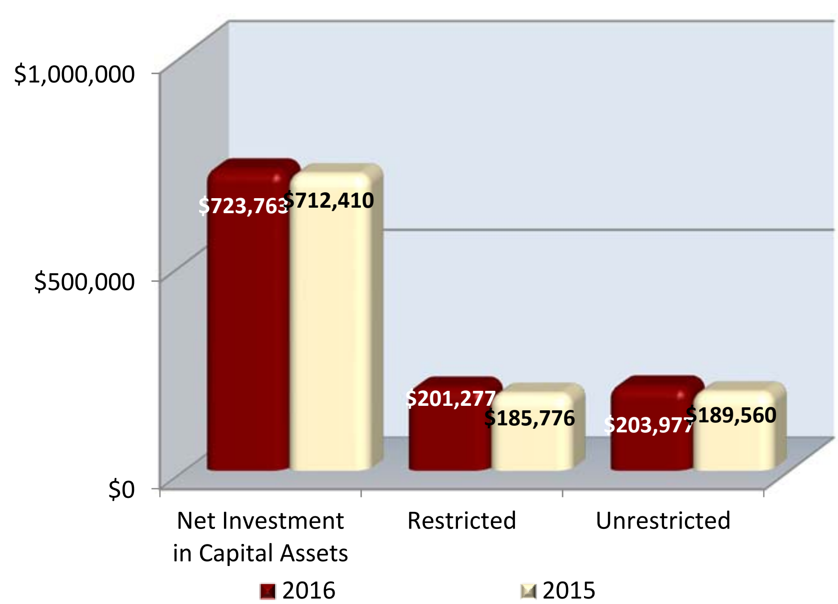
The University's assets and deferred outflows of resources totaled $ 1.8 billion at June 30, 2016. This balance reflects a $91.8 million, or 5.5 percent, increase as compared to the 2014-15 fiscal year. Liabilities and deferred inflows of resources increased by $50.6 million, or 8.6 percent, totaling $637.7 million at June 30, 2016, as compared to $587.2 million at June 30, 2015. As a result, the University's net position increased by $41.3 million, resulting in a year-end balance of $1.1 billion.

The University's operating revenues totaled $815.7 million for the 2015-16 fiscal year, representing a 7.9 percent increase over the 2014-15 fiscal year due mainly to increases in student tuition and fees and grants and contracts. Operating expenses totaled $1.3 billion for the 2015-16 fiscal year, representing an increase of 6.3 percent over the 2014-15 fiscal year due mainly to an increase in compensation and employee benefits and services and supplies.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:

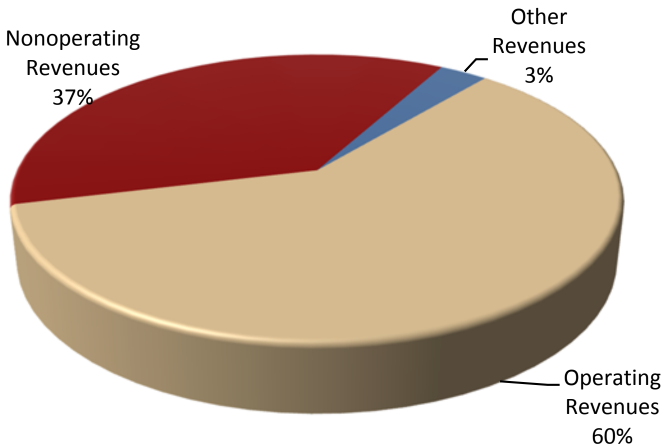
Net Position:

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2015-16 fiscal year:

Total Revenues:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Unit:
  - Medical Professional Liability Self-Insurance Program
- Discretely Presented Component Units:
  - University of South Florida Foundation, Inc.
  - University of South Florida Alumni Association, Inc.
  - USF Health Professions Conferencing Corporation
  - University of South Florida Medical Services Support Corporation
  - Sun Dome, Inc.
  - University of South Florida Research Foundation, Inc.
  - USF Financing Corporation
  - USF Property Corporation
  - University Medical Service Association, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2016	2015
Assets		
Current Assets	$ 786,001	$ 719,707
Capital Assets, Net	845,684	836,702
Other Noncurrent Assets	61,980	63,616
Total Assets	1,693,665	1,620,025
Deferred Outflows of Resources	73,082	54,883
Liabilities		
Current Liabilities	209,844	202,789
Noncurrent Liabilities	401,971	308,532
Total Liabilities	611,815	511,321
Deferred Inflows of Resources	25,915	75,841
Net Position		
Net Investment in Capital Assets	723,763	712,410
Restricted	201,277	185,776
Unrestricted	203,977	189,560
Total Net Position	$ 1,129,017	$ 1,087,746

Current cash and investments for the University increased a total of $49.3 million between the two fiscal years primarily as a result of increases in student tuition and fee revenue, State appropriations, and auxiliary operations.

Total liabilities increased $100.5 million. Major components of this increase include an increase in other postemployment benefits (OPEB) payable of 26.7 million, due to actuarial estimates, and an increase in the GASB Statement No. 68 net pension liability of $64.4 million, due to a reduction in the funded status of the Florida Retirement System (FRS) plan.

Under the accounting for GASB Statement No. 68, deferred inflows of resources decreased $49.9 million due to the lower than expected investment returns across all asset classes of the FRS plan.

Net position is reported in three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. Restricted net position is another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net position represents funds that have been donated to the University that are required to be invested in perpetuity. This net position component is primarily maintained within the University of South Florida Foundation, Inc., a component unit of the University. Restricted expendable net position is available for use by the University, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position and is available to the University for any lawful purpose of the University.

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

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	2015-16	2014-15
Operating Revenues	$ 815,705	$ 755,956
Less, Operating Expenses	1,268,746	1,193,729
Operating Loss	(453,041)	(437,773)
Net Nonoperating Revenues	452,962	439,287
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(79)	1,514
Other Revenues, Expenses, Gains, or Losses	41,350	47,071
Net Increase In Net Position	41,271	48,585
Net Position, Beginning of Year	1,087,746	1,174,890
Adjustments to Beginning Net Position (1)	-	(135,729)
Net Position, Beginning of Year, as Restated	1,087,746	1,039,161
Net Position, End of Year	$1,129,017	$ 1,087,746

Note: (1) For the 2014-15 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

Operating Revenues
For the Fiscal Years

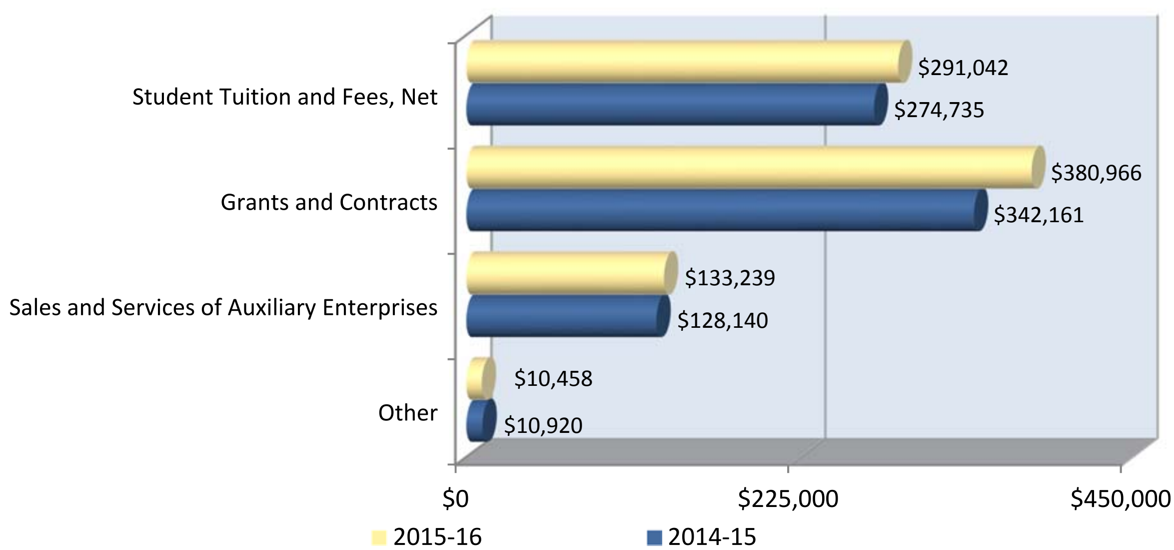
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	$ 291,042	$ 274,735
Grants and Contracts	380,966	342,161
Sales and Services of Auxiliary Enterprises, Net	133,239	128,140
Other	10,458	10,920
Total Operating Revenues	$ 815,705	$ 755,956

The following chart presents the University's operating revenues for the 2015-16 and 2014-15 fiscal years:

Operating Revenues:

(In Thousands)



University operating revenues increased by $59.7 million, or 7.9 percent. This is primarily attributed to a $38.8 million increase in grants and contracts revenues due to grants and contracts from Federal and nongovernmental funding.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

Operating Expenses

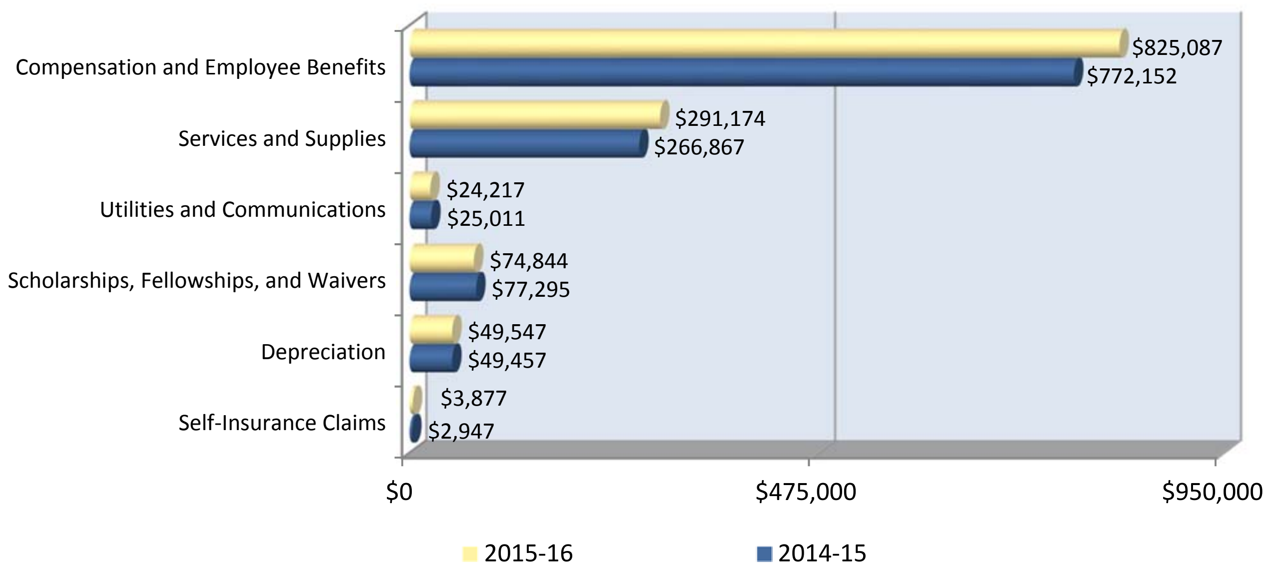
(In Thousands)

	2015-16	2014-15
Compensation and Employee Benefits	$ 825,087	$ 772,152
Services and Supplies	291,174	266,867
Utilities and Communications	24,217	25,011
Scholarships, Fellowships, and Waivers	74,844	77,295
Depreciation	49,547	49,457
Other Operating Expenses	3,877	2,947
Total Operating Expenses	$ 1,268,746	$1,193,729

The following chart presents the University's operating expenses for the 2015-16 and 2014-15 fiscal years:

Operating Expenses:

(In Thousands)



Total operating expenses increased by $75 million, resulting primarily from a $52.9 million increase in compensation and employee benefits and a $24.3 million increase in services and supplies. The increase in compensation and employee benefits was primarily due to expenses associated with salary and health care benefit increases, as well as increases in the accrual for compensated absences, pension expenses and other postemployee benefits. The increase in services and supplies was primarily due to the increases in Federal, State, and nongovernmental grants and contracts expenses.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses):

(In Thousands)

	2015-16	2014-15
State Noncapital Appropriations	$368,733	$352,851
Federal and State Student Financial Aid	94,867	100,562
Noncapital Grants and Donations	24,949	26,897
Investment Income	10,161	6,076
Other Nonoperating Revenues	1,710	319
Loss on Disposal of Capital Assets	(812)	(6,282)
Interest on Capital Asset-Related Debt	(1,129)	(1,373)
Other Nonoperating Expenses	(45,517)	(39,763)
Net Nonoperating Revenues	$452,962	$439,287

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2015-16 and 2014-15 fiscal years:

Other Revenues:

(In Thousands)

	2015-16	2014-15
State Capital Appropriations	$ 40,094	$ 43,842
Capital Grants, Contracts, Donations, and Fees	1,256	3,229
Total	$ 41,350	$ 47,071

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2015-16 and 2014-15 fiscal years:

Condensed Statement of Cash Flows:

(In Thousands)

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	$ (366,488)	$ (372,667)
Noncapital Financing Activities	432,635	452,358
Capital and Related Financing Activities	(28,711)	(39,399)
Investing Activities	(41,882)	(42,159)
Net Decrease in Cash and Cash Equivalents	(4,446)	(1,867)
Cash and Cash Equivalents, Beginning of Year	46,106	47,973
Cash and Cash Equivalents, End of Year	$ 41,660	$ 46,106

Major sources of funds came from State noncapital appropriations ($368.7 million), State capital appropriations ($31.7 million), Federal Direct Student Loan receipts ($253.1 million), net student tuition and fees ($293 million), grants and contracts ($381.1 million), and sales and services of auxiliary enterprises ($135.5 million). Major uses of funds were for payments made to and on behalf of employees totaling $791.8 million; payments to suppliers totaling $317 million, and disbursements to students for Federal Direct Student Loans totaling $253.1 million.

Cash used by capital and related financing activities decreased by $10.7 million. This was primarily due to a $12.3 million increase in cash received from State capital appropriations.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the University had $1.5 billion in capital assets, less accumulated depreciation of $651.3 million, for net capital assets of $845.7 million. Depreciation charges for the current fiscal year totaled $49.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30:

(In Thousands)

	2016	2015
Land	$ 16,198	$ 15,565
Construction in Progress	41,259	20,930
Buildings	687,634	698,300
Infrastructure and Other Improvements	32,806	33,154
Furniture and Equipment	52,630	54,754
Library Resources	9,664	7,890
Property Under Capital Leases	145	171
Works of Art and Historical Treasures	1,330	1,361
Other Capital Assets	4,018	4,577
Capital Assets, Net	$845,684	$ 836,702

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

Capital Expenses and Commitments

The University's construction commitments at June 30, 2016, are as follows:

	Amount (In Thousands)
Total Committed	$ 132,130
Completed to Date	(41,259)
Balance Committed	**$ 90,871**

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

Debt Administration

As of June 30, 2016, the University had $22.2 million in outstanding capital improvement debt payable, an installment purchase payable, and capital leases payable, representing a decrease of $3.3 million, or 12.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30:

(In Thousands)

	2016	2015
Capital Improvement Debt	$ 22,109	$ 25,268
Installment Purchase	83	110
Capital Leases	32	108
Total	$ 22,224	$ 25,486

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget adopted by the Florida Legislature for the 2015-16 fiscal year provided an overall 4.9 percent increase to State universities. The budget also incorporated a new designation of "Emerging Preeminence" in performance based funding which positively impacts the University of South Florida. This translated to $5 million in additional Educational and General Funds for the University. As the first university to achieve the emerging preeminence status, USF is well positioned to continue to benefit from the Legislature and Board of Governors' continued focus on performance-based funding.

In addition to State funding, the University receives a large share of general revenue from other sources including tuition and fees, other auxiliary operations and grants and contracts. This diversification mitigates to impact of individual economic factors.

Requests for Information

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Jennifer Condon, CPA, Assistant Vice President and Controller, University of South Florida, 4202 East Fowler Avenue ALN147, Tampa, Florida 33620-5800.

University Name
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2016

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 40,783,047	$ 16,848,529
Investments	574,743,513	115,685,761
Accounts Receivable, Net	75,053,314	83,410,703
Loans and Notes Receivable, Net	2,078,612	-
Due from State	75,022,122	-
Due from University	-	88,224,952
Due from Component Units	15,903,745	3,102,679
Inventories	236,295	-
Other Current Assets	2,179,983	18,232,053
Total Current Assets	786,000,631	325,504,677
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	876,456	1,229,167
Restricted Investments	56,911,006	474,057,619
Loans and Notes Receivable, Net	4,192,757	357,000
Depreciable Capital Assets, Net	785,847,252	297,095,183
Nondepreciable Capital Assets	59,837,220	19,301,143
Other Noncurrent Assets	-	20,463,311
Total Noncurrent Assets	907,664,691	812,503,423
Total Assets	1,693,665,322	1,138,008,100
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Pension Resources	73,081,903	-
Interest Rate Swap Agreement	-	497,068
Total Deferred Outflows of Resources	73,081,903	497,068
LIABILITIES		
Current Liabilities:		
Accounts Payable	22,464,585	9,246,179
Construction Contracts Payable	4,109,233	-
Salaries and Wages Payable	28,086,559	10,572,291
Deposits Payable	13,959,353	1,262,916
Due to University	-	15,903,745
Due to Component Units	88,224,952	3,102,679
Unearned Revenue	40,619,946	5,360,625
Other Current Liabilities		25,895
Long-Term Liabilities - Current Portion:		
Bond Payable	-	5,005,998
Certificates of Participation Payable	-	7,905,000
Capital Improvement Debt Payable	2,222,370	-
Loans and Notes Payable	-	472,455
Installment Purchase Payable	27,015	493,880
Capital Leases Payable	16,267	678,798
Estimated Insurance Claims Payable	771,083	-
Compensated Absences Payable	6,591,719	-
Net Pension Liability	2,751,108	-
Total Current Liabilities	209,844,190	60,030,461

University Name
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2016

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ -	$ 118,003,648
Certificates of Participation Payable	-	251,917,685
Capital Improvement Debt Payable	19,886,817	-
Loans and Notes Payable	-	6,063,638
Installment Purchase Payable	55,702	-
Capital Leases Payable	16,268	295,831
Estimated Insurance Claims Payable	20,058,639	-
Compensated Absences Payable	71,705,610	-
Federal Advance Payable	3,216,794	-
Other Non-current Liabilities	-	20,981,052
Other Postemployment Benefits Payable	118,976,000	-
Net Pension Liability	168,055,137	-
Total Noncurrent Liabilities	401,970,967	397,261,854
Total Liabilities	611,815,157	457,292,315
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Pension Resources	25,914,593	-
Total Deferred Inflows of Resources	25,914,593	-
NET POSITION		
Net Investment in Capital Assets	723,762,640	28,543,025
Restricted for Nonexpendable:		
Endowment	-	542,172,162
Restricted for Expendable:		
Debt Service	1,737,878	-
Loans	5,780,790	-
Capital Projects	79,812,974	-
Other	113,945,755	-
Unrestricted	203,977,438	110,497,666
TOTAL NET POSITION	$ 1,129,017,475	$ 681,212,853

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

University Name
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2016

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $110,795,121 ($3,186,835 Pledged for the Student Union Revenue Bonds)	$ 291,042,666	$ -
Federal Grants and Contracts	193,876,033	-
State and Local Grants and Contracts	25,126,909	-
Nongovernmental Grants and Contracts	161,962,620	62,736,424
Sales and Services of Auxiliary Enterprises ($10,855,059 Pledged for the Parking System Revenue Bonds)	133,239,293	
Sales and Services of Component Units		239,883,397
Royalties & Licensing Fees		2,506,916
Gifts and Donations		38,805,497
Interest on Loans and Notes Receivable	177,388	-
Other Operating Revenues	10,280,272	47,839,102
Total Operating Revenues	815,705,181	391,771,336
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	825,087,039	208,708,978
Services and Supplies	291,174,092	148,858,587
Utilities and Communications	24,217,311	1,542,193
Scholarships, Fellowships, and Waivers	74,843,702	8,122,107
Depreciation	49,547,440	15,980,268
Self-insurance Claims	3,876,519	-
Total Operating Expenses	1,268,746,103	383,212,133
Operating Income (Loss)	(453,040,922)	8,559,203
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	368,733,441	-
Federal and State Student Financial Aid	94,867,168	-
Non Capital Grants and Donations	24,949,129	-
Investment Income	10,161,004	(5,491,905)
Other Nonoperating Revenues	1,710,073	523,128
Loss on Disposal of Capital Assets	(811,709)	-
Interest on Capital Asset-Related Debt	(1,129,506)	(17,503,984)
Other Nonoperating Expenses	(45,517,175)	(9,759,674)
Net Nonoperating Revenues (Expenses)	452,962,425	(32,232,435)
Income Before Other Revenues	(78,497)	(23,673,232)
State Capital Appropriations	40,094,279	-
Capital Grants, Contracts, Donations, and Fees	1,255,943	-
Increase (Decrease) in Net Position	41,271,725	(23,673,232)
Net Position, Beginning of Year	1,087,745,750	704,886,085
Net Position, End of Year	$ 1,129,017,475	$ 681,212,853

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

University Name
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 293,000,721
Grants and Contracts	381,085,199
Sales and Services of Auxiliary Enterprises, Net	135,536,665
Interest on Loans and Notes Receivable	177,818
Payments to Employees	(791,786,077)
Payments to Suppliers for Goods and Services	(317,001,719)
Payments to Students for Scholarships and Fellowships	(74,843,703)
Payments on Self-Insurance Claims and Expenses	(2,477,045)
Loans Issued to Students	(1,182,949)
Collection on Loans to Students	1,307,699
Other Operating Receipts	9,695,425
Net Cash Used by Operating Activities	(366,487,966)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	368,733,441
Federal and State Student Financial Aid	94,867,168
Non-Capital Grants, Contracts and Donations	26,010,873
Federal Direct Loan Program Receipts	253,111,708
Federal Direct Loan Program Disbursements	(253,111,708)
Operating Subsidies and Transfers	(12,404,378)
Net Change in Funds Held for Others	(567,041)
Other Nonoperating Receipts	196,752
Other Nonoperating Disbursements	(44,202,270)
Net Cash Provided by Noncapital Financing Activities	432,634,545
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	31,708,040
Capital Grants, Contracts, Donations, and Fees	21,084
Purchase or Construction of Capital Assets	(56,048,580)
Principal Paid on Capital Debt and Leases	(3,267,882)
Interest Paid on Capital Debt and Leases	(1,123,264)
Net Cash Used by Capital and Related Financing Activities	(28,710,602)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	26,258,530
Purchase of Investments	(84,000,000)
Investment Income	15,859,065
Net Cash Used by Investing Activities	(41,882,405)
Net Decrease in Cash and Cash Equivalents	(4,446,428)
Cash and Cash Equivalents, Beginning of Year	46,105,930
Cash and Cash Equivalents, End of Year	$ 41,659,502

University Name
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2016

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (453,040,922)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	49,547,440
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(373,316)
Loans and Notes Receivable, Net	124,750
Inventories	3,350
Other Assets	(1,353,305)
Accounts Payable	(776,918)
Salaries and Wages Payable	6,339,778
Deposits Payable	(1,492,344)
Unearned Revenue	6,207,829
Estimated Insurance Claims Payable	1,399,474
Compensated Absences Payable	3,878,862
Other Postemployment Benefits Payable	26,745,000
Net Pension Liability	64,427,968
Deferred Outflows of Resources Related to Pensions	(18,198,991)
Deferred Inflows of Resources Related to Pensions	(49,926,621)
NET CASH USED BY OPERATING ACTIVITIES	$ (366,487,966)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
The fair values of Keys Marine Lab capital assets transferred into The Florida Institute of Oceanography were recognized on the statement of net position, but are not cash transactions for the statement of cash flows.	$ 1,613,821
Unrealized losses on investments were recognized as a reduction of investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (5,698,061)
Donations of capital assets were recognized in the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 1,234,859
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (811,709)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Medical Professional Liability Self-Insurance Program is included within the University's reporting entity as a blended component unit. The Medical Professional Liability Self-Insurance Program was created in 1972 and provides medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in medical programs at the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following affiliated organizations (direct-support organizations) are included within the University reporting entity as discretely presented component units. An annual audit of each discretely presented component unit's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Direct-Support Organizations. The University's direct-support organizations are provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of South Florida Foundation, Inc., accepts, invests, administers, and distributes private gifts given for the funding of activities and facilities directly related to the mission, role, and scope of the University of South Florida.
- The University of South Florida Alumni Association, Inc., fosters the spirit of loyalty and fraternity among the graduates, former students, and friends of the University, and promotes their continued active interest in and on behalf of the University.
- The University of South Florida Medical Services Support Corporation ("MSSC") is organized and operated exclusively to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University.
- The Sun Dome, Inc., operates a multi-purpose facility on behalf of the University of South Florida to provide the students, faculty, and staff of the University, as well as the general public, an array of cultural, athletic, and other educational events and activities, including a variety of entertainment events.
- The University of South Florida Research Foundation, Inc., has been established to provide a means by which inventions and works may be developed, protected, applied, and utilized so that the results of University research will be made available to the public and funds will be made available from the commercial application of inventions and works to be dedicated to the benefit of the University and shared with the inventor/author.
- The USF Financing Corporation was organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida.
- The USF Property Corporation was formed for the primary purpose of acting as lessor in connection with "lease-purchase" financings in support of the activities and educational purposes of the University of South Florida and of the USF Financing Corporation by assisting in acquiring facilities and constructing facilities on the University campus and in general, furthering the University's education mission.
- The USF Health Professions Conferencing Corporation was established to provide educational, administrative, logistical, and financial services to support the USF Health's Office of Continuing Professional Development (OCPD). The OCPD is committed to sponsoring quality continuing educational activities to meet the needs of USF faculty, alumni, and healthcare professionals practicing throughout the State, nationally, and internationally.
- The University Medical Service Association, Inc. ("UMSA") is approved as the USF Health Faculty Practice Plan (the "Plan") pursuant to Florida Board of Governors Regulation 9.017 and USF Regulation 9.017. UMSA specifically functions as the University's agent for the orderly collection and administration of income generated from University faculty practice in accordance with the Plan, and employs and provides personnel to support the USF Health clinical enterprise and mission.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB).

GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

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

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

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB standards of accounting and financial reporting, and others follow FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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, investment income (net of unrealized gains or losses on investments) and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

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

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 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.

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 7 to 10 years
- Other Capital Assets – 3 to 20 years
- Works of Art and Historical Treasures – 5 years

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, 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.72, *Fair Value Measurement and Application,* which requires the University to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The University implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

3. Investments

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

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

The University's recurring fair value measurements as of June 30, 2016 are valued using the following valuation techniques and inputs:

United States Treasury securities, Obligations of United States government agencies and instrumentalities, and Bonds and notes: These securities are valued daily by a pricing service that uses evaluated pricing applications which incorporate available market information. Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

Repurchase agreements: Repurchase agreements are collateralized at 102% by securities guaranteed by the US Government or an agency thereof and are valued at quoted prices for similar assets in active markets (Level 2 inputs).

Stocks and other equity securities: This type includes domestic and international equities valued at quoted prices in an active market (Level 1 inputs).

The University's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
United States Treasury Securities	10,661,965	-	10,661,965	-
Obligations of United States Government Agencies and Instrumentalities	1,074,856	-	1,074,856	-
Repurchase Agreements	52,528,358	-	52,528,358	-
Bonds and Notes	18,865,582	-	18,865,582	-
Stocks and Other Equity Securities	12,125,929	12,125,929	-	-
Total investments by fair value level	$ 95,256,690	$ 12,125,929	$ 83,130,761	$ -
Investments measured at the net asset value (NAV)				
Hedge Funds	25,475,887			
Mutual Funds				
Equities	100,929,943			
Bonds	408,816,479			
Money Market	1,175,521			
Total investments measured at NAV	536,397,829			
Total investments measured at fair value	$ 631,654,519			

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

Investments measured at the NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Hedge funds	$ 25,475,887	$ -	Annually	95 days
Mutual Funds				
Equities	100,929,943	$ -	Daily	0-7 days
Bonds	408,816,479	$ -	Daily	0-7 days
Money Market	1,175,521		Daily	0 days
Total investments measured at the NAV	$ 536,397,829			

Hedge funds. This category includes an investment in a hedge fund of funds that seeks capital appreciation by investing with long/short equity and absolute return-oriented managers that employ a bottom up, fundamental approach to investing. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Equity mutual funds. This category includes investments in domestic and international equities through commingled fund structures. The investment objective of these funds is to track the performance of their respective benchmarks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Bond mutual funds. This category includes investments in fixed income securities through commingled fund structures. The investment objective of these funds is to track the performance of their respective market-weighted indices with a short-term dollar-weighted average maturity. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Money market mutual funds. This category includes investments in high-quality money market instruments through commingled fund structures. The investment objective of these funds is to maximize current income, to the extent consistent with the preservation of capital, and maintain liquidity. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Component Units Investments

The University' discretely presented component units' investments at June 30, 2016 are reported at fair value as follows:

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association Inc.	University of South Florida Research Foundation Inc.	USF Financing Corporation	University Medical Service Association, Inc.	Total
Bonds and Notes			1,269,348			1,269,348
Stocks and Other						
Equity Securities			3,910,659			3,910,659
Investment Agreements	95,954,287	919,401	3,806,623	3,412,884	3,276,472	107,369,667
Mutual Funds:						
Equities	263,339,371	3,312,293	13,173,586		9,012,466	288,837,716
Bonds	121,939,678	1,494,277	8,291,841		10,700,437	142,426,233
Money Market	13,528,241	163,460	4,307,276	27,930,780		45,929,757
Total Component Units' Investments	$ 494,761,577	$ 5,889,431	$ 34,759,333	$31,343,664	$ 22,989,375	$ 589,743,380

The component unit's recurring fair value measurements as of June 30, 2016 are valued using the following valuation techniques and inputs:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 6,900,273	$ 6,900,273	$ -	$ -
Commercial Paper	1,413,991	1,413,991	-	-
United States Treasury Securities	4,647,262	4,647,262	-	-
Obligations of United States Government Agencies and Instrumentalities	1,650,781	1,650,781	-	-
Bonds and Notes	132,046,340	57,550,858	74,495,482	-
Stocks and Other Equity Securities	282,274,817	88,127,161	194,147,656	-
Mutual Funds	1,562,161	1,562,161	-	-
Private equity funds	39,981,064	-	-	39,981,064
Real estate investments	14,351,026	44,698	-	14,306,328
Other investments	50,582,626	4,189,706	19,116,013	27,276,907
Total investments by fair value level	$ 535,410,341	$ 166,086,891	$ 287,759,151	$ 81,564,299
Investments measured at the net asset value (NAV)				
Hedge Funds	3,276,472			
Mutual Funds				
Equities	9,012,466			
Bonds	10,700,437			
Total investments measured at NAV	22,989,375			
Total investments measured at fair value	$ 558,399,716			

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

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds	$ 3,276,472	$ -	Annually	95 days
Mutual Funds				
Equities	9,012,466	$ -	Daily	0-7 days
Bonds	10,700,437	$ -	Daily	0-7 days
Total investments measured at the NAV	$ 22,989,375			

Hedge funds. This category includes an investment in a hedge fund of funds that seeks capital appreciation by investing with long/short equity and absolute return-oriented managers that employ a bottom up, fundamental approach to investing. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Equity mutual funds. This category includes investments in domestic and international equities through commingled fund structures. The investment objective of these funds is to track the performance of their respective benchmarks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Bond mutual funds. This category includes investments in fixed income securities through commingled fund structures. The investment objective of these funds is to track the performance of their respective market-weighted indices with a short-term dollar-weighted average maturity. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

The University's investments (which include investments of its blended component unit, the Medical Professional Liability Self-Insurance Program), and investments of the University of South Florida Research Foundation, Inc. (Research Foundation), a discretely presented component unit, consisted of various debt, equity and equity-type securities, hedge funds, and equity, bond, and money market mutual funds. The University's investment policy, the Medical Professional Liability Self-Insurance Program's investment policy, and the Research Foundation's investment policy allow investments in cash and cash equivalents, equities, mutual funds, and fixed-income investments. The University's investment policy and the Research Foundation's investment policy also allow investments in hedge funds. The following risks apply to the University, Medical Professional Liability Self-Insurance Program, and Research Foundation's investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University, Medical Professional Liability Self-Insurance Program, and the Research Foundation investment policies limit the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State, and municipal securities investments) to a weighted-average duration of less than five years. For long-term investments, the University and Research Foundation investment policies do not limit the duration for long-term corporate notes or other direct debt obligations. The University and Research Foundation's investment policies provide for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Medical Professional Liability Self-Insurance Program's investment policy provides that all fixed-income securities investments shall be rated in the top three rating classifications as defined by both Moody's and Standard & Poor's. The University and Research Foundation investment policies provide for credit risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the University, Medical Professional Liability Self-Insurance Program and Research Foundation investments in debt securities and mutual funds at June 30, 2016:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating Moody's	Standard and Poor's	Fair Value
United States Treasury Securities (3)	3.15	(1)	(1)	$ 10,661,965
Obligations of United States Government Agencies and Intrumentalities (3)	0.78	Aaa	AA+	1,074,856
Repurchase Agreements (4)	1 Day	(2)	(2)	52,528,358
Bonds and Notes (3)	3.45	Aaa - A3	AAA - A-	18,010,689
Bonds and Notes (3)	0.07	Aaa - Aa2	Not Rated	854,893
Bond Mutual Funds (4)	2.93 Years	Not Rated	Not Rated	408,816,479
Money Market Mutual Funds (3)	39 Days	Aaa-mf	AAAm	1,175,521
Total				$ 493,122,760

Notes: (1) Disclosure of credit risk is not required for this investment type.
(2) Disclosure of credit risk is not required as the securities underlying the repurchase agreement are guaranteed by the U.S. government.
(3) Medical Professional Liability Self-Insurance Program
(4) University

University of South Florida Research Foundation Inc.
Investment Maturity

Investment Type	Fair Value	Investment Maturites (In Years) Less Than 1	1-5	6-10	More Than 10
Bonds and Notes	1,269,348	77,451	482,871	250,862	458,164
Mutual Funds:					
Bonds	8,291,841	161,793	5,315,597	2,814,451	-
Money Market	4,307,276	4,307,276			
Total	$ 13,868,465	$ 4,546,520	$ 5,798,468	$ 3,065,313	$ 458,164

University of South Florida Research Foundation, Inc.
Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	1,269,348	442,082	169,365	228,861	429,040
Mutual Funds:					
Bonds	8,291,841	330,025	798,700	2,618,924	4,544,192
Money Market	4,307,276	3,913,450			393,826
Total	$ 13,868,465	$ 4,685,557	$ 968,065	$ 2,847,785	$ 5,367,058

Note: (1) Rated by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the University and not registered in their names. Investments for the University are held in counterparty accounts as custodian. The University investment policy provides for custodial credit risk. All investments for the Medical Professional Liability Self-Insurance Program are held in counterparty accounts as custodian.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University, Medical Professional Liability Self-Insurance Program, and Research Foundation investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and the Research Foundation. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2016.

4. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2016, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 48,427,416
Student Tuition and Fees	10,618,420
Other	16,007,478
Total Accounts Receivable	$ 75,053,314

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $16,156,646 and $1,866,910, respectively, at June 30, 2016.

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

5. Due From State

This amount consists of $61,912,660 of Public Education Capital Outlay allocations, $9,121,344 of Capital Improvement Fee Trust Fund allocations, and $3,988,118 of lottery allocations due from the State to the University for the construction of University facilities.

6. Due From and To Component Units/University

The $ 15,903,745 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($7,778,717) for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. ($166,247) for operating expenses; from University of South Florida Foundation, Inc. ($7,035,311), primarily for salary and operating expense support; and from the USF Health Professions Conferencing Corporation ($923,470) for program residuals.

The $ 88,224,952 reported as due to component units represents amounts owed by the University to the USF Financing Corporation for the construction and financing of buildings and pledged revenues ($85,570,482); to the University Medical Service Association, Inc. ($2,651,879) for deposits made to support the funding of salaries and other operating expenses at USF Health; and to the University of South Florida Alumni Association ($2,591) for payroll expenses.

7. Inventories

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 15,564,728	$ 633,001	$ -	$ -	$ 16,197,729
Works of Art and Historical Treasures	1,200,089	-	6,300	-	1,206,389
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	20,929,630	-	42,013,245	21,683,523	41,259,352
Total Nondepreciable Capital Assets	$ 38,868,197	$ 633,001	$ 42,019,545	$ 21,683,523	$ 59,837,220
Depreciable Capital Assets:					
Buildings	$ 1,139,387,384	$ 925,720	$ 20,778,588	$ 1,592,257	$ 1,159,499,435
Infrastructure and Other Improvements	64,750,382	1,209,705	1,297,708	-	67,257,795
Furniture and Equipment	163,044,310	126,816	11,563,225	6,832,739	167,901,612
Library Resources	15,069,216	-	3,515,679	419,523	18,165,372
Property Under Capital Leases	228,037		-	-	228,037
Works of Art and Historical Treasures	324,600	-	-	-	324,600
Other Capital Assets	26,186,096	16,520	342,743	2,737,439	23,807,920
Total Depreciable Capital Assets	1,408,990,025	2,278,761	37,497,943	11,581,958	1,437,184,771
Less, Accumulated Depreciation:					
Buildings	441,087,844	793,232	31,388,412	1,404,583	471,864,905
Infrastructure and Other Improvements	31,596,426	466,123	2,389,584	-	34,452,133
Furniture and Equipment	108,290,328	74,634	13,198,674	6,292,489	115,271,147
Library Resources	7,178,732	-	1,764,181	441,553	8,501,360
Property Under Capital Leases	56,802	-	26,290	-	83,092
Works of Art and Historical Treasures	163,433	-	38,000	-	201,433
Other Capital Assets	22,782,853	6,677	742,299	2,568,380	20,963,449
Total Accumulated Depreciation	611,156,418	1,340,666	49,547,440	10,707,005	651,337,519
Total Depreciable Capital Assets, Net	$ 797,833,607	$ 938,095	$ (12,049,497)	$ 874,953	$ 785,847,252

Note: (1) Adjustments to capital assets resulted from the transfer of Keys Marine Lab assets from another State agency, the Florida Fish and Wildlife Conservation Commission, to the Florida Institute of Oceanography.

9. Unearned Revenue

Unearned revenue includes Alec P. Courtelis Matching Trust fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2016, to spend the funds, amounts received from contracts and grants and auxiliary prepayments received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2016, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 36,031,299
Capital Appropriations	334,685
Auxiliary Prepayments	4,253,962
Total Unearned Revenue	$ 40,619,946

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2016, include capital improvement debt payable, an installment purchase payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance payable, and other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 25,267,946	$ -	$ 3,158,759	$ 22,109,187	$ 2,222,370
Installment Purchases Payable	109,508		26,792	82,717	27,015
Capital Leases Payable	108,626		76,091	32,535	16,267
Estimated Insurance Claims Payable	19,430,248	3,876,519	2,477,045	20,829,722	771,083
Compensated Absences Payable	74,418,467	9,864,436	5,985,574	78,297,329	6,591,719
Federal Advance Payable	4,293,571		1,076,777	3,216,794	
Other Postemployment Benefits Payable	92,231,000	31,812,000	5,067,000	118,976,000	
Net Pension Liability	106,378,277	85,764,628	21,336,660	170,806,245	2,751,108
Total Long-Term Liabilities	$ 322,237,643	$ 131,317,583	$ 39,204,698	$ 414,350,529	$ 12,379,562

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2016:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Debt:				
2002 Parking	12,700,000	5,583,831	4.50 to 4.75	2023
2004A Parking	16,000,000	6,182,293	3.625 to 4.30	2024
2006A Parking	17,020,000	10,343,063	4.10 to 4.50	2026
Total Capital Improvement Debt	$ 45,720,000	$ 22,109,187		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future traffic and parking fees and various student fee assessments to repay $22,109,187 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable solely from traffic and parking fees and transportation access fees, and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees and transportation access fees amounts sufficient to cover the principal and interest requirements on the debt.

Total principal and interest remaining on the debt is $27,068,843, and principal and interest paid for the current year totaled $4,280,629. During the 2015-16 fiscal year, traffic and parking fees and transportation access fees totaled $10,855,059 and $3,186,835, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	2,225,000	954,766	3,179,766
2018	2,315,000	863,924	3,178,924
2019	2,415,000	768,299	3,183,299
2020	2,515,000	667,211	3,182,211
2021	2,620,000	558,199	3,178,199
2022-2026	10,035,000	1,131,444	11,166,444
Subtotal	22,125,000	4,943,843	27,068,843
Net Discounts and Premiums	(15,813)		(15,813)
Total	$ 22,109,187	$ 4,943,843	$ 27,053,030

Installment Purchase Payable. The University has entered into an installment purchase agreement for the purchase of equipment reported at $142,002. The stated interest rate was 2.2 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Amount
2017	28,710
2018	28,710
2019	28,711
Total Minimum Payments	86,131
Less, Amount Representing Interest	3,414
Present Value of Minimum Payments	$ 82,717

Capital Leases Payable. The University has entered into a capital lease agreement for equipment in the amount of $81,338. The imputed interest rate was zero percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Amount
2017	16,267
2018	16,268
Total Minimum Payments	32,535
Less, Amount Representing Interest	
Present Value of Minimum Payments	$ 32,535

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $78,297,329. The current portion of the compensated absences liability, $6,591,719 is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled $3,216,794.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year, on a pay-as-you-go basis are established by the *Governor's* recommended budget and the *General Appropriations Act*. For the 2015-16 fiscal year, 1,093 retirees received postemployment healthcare benefits. The University provided required contributions of $5,067,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $7,191,000 which represents 1.4 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 17,452,000
Amortization of Unfunded Actuarial Accrued Liability	12,866,000
Interest on Normal Cost and Amortization	1,213,000
Annual Required Contribution	31,531,000
Interest on Net OPEB Obligation	3,689,000
Adjustment to Annual Required Contribution	(3,408,000)
Annual OPEB Cost (Expense)	31,812,000
Contribution Toward the OPEB Cost	(5,067,000)
Increase in Net OPEB Obligation	26,745,000
Net OPEB Obligation, Beginning of Year	92,231,000
Net OPEB Obligation, End of Year	$ 118,976,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2016 for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	21,708,000	18.3%	75,183,000
2014-15	19,790,000	13.9%	92,231,000
2015-16	31,812,000	15.9%	118,976,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $348,214,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $348,214,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $498,680,238 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2015 used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016 and the University's 2015-16 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 4.4 percent, 8.5 percent, and 9.3 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.5 percent, 6.6 percent, and 7.5 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

Net Pension Liability. As a participating employer in the Florida Retirement system, the University recognizes its proportionate share of the collective net position liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2016, the University's proportionate share of the net pension liabilities totaled $170,806,245. Note 13 includes a complete discussion of defined benefit pension plans.

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

Certificates of Participation Series 2003A. The Series 2003A Certificates were issued pursuant to an amended and supplemented trust indenture, dated March 1, 2003, by and between the University of South Florida Foundation, Inc. (Foundation), and a trustee. The $13,200,000 Certificates were issued to finance the construction of an athletic training facility located on the University's Tampa campus pursuant to a ground lease between the University and the Foundation. The Certificates were issued as variable rate debt secured by a direct-pay letter of credit issued by the trustee. Due to downgrades of the trustee's short-term credit rating, the Certificates were remarketed at interest rates reflective of the credit quality of the trustee, causing increased interest costs. On March 15, 2011, the trustee agreed to convert the interest rate from variable to fixed and purchase the Certificates for their own account. Simultaneously with the conversion to a fixed rate, the USF Financing Corporation accepted an assignment from the Foundation of its rights, title, interest, and obligations related to the $9,905,000 outstanding Series 2003A Certificates. The Series 2003A tax-exempt Certificates bear a fixed interest rate equal to 3.14 percent. The Series 2003A Certificates mature in 2022.

The 2003A Certificates were issued pursuant to the terms of a Trust Indenture dated as of March 1, 2003, by and between the Foundation and the Trustee, as amended and supplemented from time to time, including particularly, as supplemented by that certain First Supplement to Trust Indenture dated November 16, 2005, the Second Supplement to Trust Indenture dated as of March 8, 2011, and the Third Supplement and Amendment to Trust Indenture dated as of March 15, 2011, both by and between the Foundation and the Trustee. The project is leased by the Foundation to the University Board of Trustees pursuant to a Master Operating Lease dated as of March 1, 2003, as amended by the First Amendment to Master Operating Lease dated December 1, 2005, each by and between the Foundation, as lessor, and the University Board, as lessee.

Certificates of Participation Series 2010A and 2010B. On December 23, 2010, the USF Financing Corporation issued $2,860,000 Certificates of Participation Series 2010A (Tax-Exempt) and $15,140,000 Certificates of Participation Series 2010B (Build America Bonds). The proceeds of the Series 2010A and 2010B Certificates were used to (1) finance the acquisition, construction, and installation of a mixed-use facility that includes a student center and a student housing facility on the University's St. Petersburg Campus, (2) fund capitalized interest accounts, and (3) pay certain expenses related to the issuance and sale of the Series 2010A and 2010B Certificates. The Series 2010A fixed rate Certificates have interest rates ranging from 3 to 5 percent. As the Series 2010B fixed rate Certificates were issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate, which is 8.35 and 8.55 percent. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2015-16 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.4 percent. The Series 2010A Certificates mature in 2020 and the Series 2010B Certificates mature in 2040.

The Series 2010A and 2010B Certificates were issued pursuant to a Master Trust Agreement dated as of May 1, 2005, as supplemented by the Series 2010 Supplemental Trust Agreement, dated December 1, 2010, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

Pursuant to a support agreement dated December 1, 2010, by and among the University of South Florida Foundation, Inc., the USF Property Corporation, and the USF Financing Corporation, the Foundation guaranteed to pay the deficiency between the principal and interest requirement on the Series 2010A and 2010B Certificates allocable to the student center portion and the University's activity and service fees pledged to cover the student center debt service. The principal and interest requirement associated with the student center is approximately 43 percent of the basic rent payment due under the lease agreement.

Certificates of Participation Series 2012A Remarketing (refunded Series 2012A Certificates). On May 6, 2015, the USF Financing Corporation issued the $77,015,000 Series 2012A Remarketing Certificates of Participation to convert the Series 2012A Certificates of Participation from variable rate to fixed rate Certificates. The tax-exempt, fixed rate Remarketing Certificates have interest rates ranging from 2 to 5 percent and mature in 2035.

The Series 2012A Certificates were originally issued on October 1, 2012 as variable rate Certificates to refund the Series 2005B Certificates. The Series 2005B Certificates were issued on May 25, 2005, and the proceeds were used to (1) finance the cost to lease purchase certain student housing facilities existing on the University's Tampa campus, (2) acquire, construct, and equip a housing facility and a related parking facility on the University's St. Petersburg campus, and (3) pay certain expenses related to the issuance and sale of the Series 2005B Certificates, including the financial guaranty insurance policy premium. On March 18 and 20, 2008, the Corporation converted the Series 2005B Certificates from auction rate securities to variable rate demand bonds with weekly rate periods. The Certificates were secured by an irrevocable direct pay letter of credit.

The Series 2012A variable rate Certificates were largely hedged to limit the effect of changes in interest rates. On April 15, 2015, in connection with the reissuance of the Certificates, the USF Financing Corporation terminated the interest rate swap agreement related to these Certificates.

The Series 2012A Remarketing Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012A Supplemental Trust Agreement, dated October 1, 2012 and amended on April 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

Certificates of Participation Series 2012B (refunded Series 2007 Certificates – Housing). On October 1, 2012, the USF Financing Corporation issued the $68,975,000 Certificates of Participation 2012B to refund the Series 2007 Certificates of Participation - Housing. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.35 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates - Housing, issued on September 25, 2007, were used to (1) finance the cost to acquire, construct, and equip a certain housing facility on the University's Tampa campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the Series 2007 Certificates, including the financial guaranty insurance policy premium. The Series 2007 Certificates - Housing initially carried interest at auction rates for generally successive seven day auction periods. On March 24, 2008, the USF Financing Corporation converted the Series 2007 Certificates - Housing from auction rate securities to variable rate demand bonds with a weekly rate period. In connection with the conversion, the USF Financing Corporation surrendered the municipal bond insurance policy. The Series 2007 Certificates were then secured pursuant to an irrevocable direct pay letter of credit, prior to being refunded by the Series 2012B Certificates.

The Series 2012B Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012B Supplemental Trust Agreement, dated October 1, 2012, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

Certificates of Participation Series 2013A (refunded Series 2006A Certificates). On September 3, 2013, the USF Financing Corporation issued the $41,650,000 Certificates of Participation Series 2013A to refund the Series 2006A Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.23 and mature in 2036.

The proceeds derived from the issuance of the Series 2006A Certificates, issued on March 16, 2006, were used to (1) finance the acquisition and construction of two fully-equipped medical office buildings consisting of the North Clinic Facility and the South Clinic Facility and (2) pay certain expenses related to the issuance and sale of the Series 2006A Certificates. The Series 2006A Certificates initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to two separate irrevocable direct-pay letters of credit, prior to being refunded by the Series 2013A Certificates.

The Series 2013A Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013A Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

Certificates of Participation 2013B (refunded Series 2007 Certificates – Health). On September 3, 2013, the USF Financing Corporation issued the $20,855,000 Certificates of Participation Series 2013B to refund the Series 2007 Health Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.25 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates - Health, issued on November 19, 2007, were used to (1) provide funds for the purpose of financing the acquisition, construction, installation and equipping of a medical office building located on the University's Tampa Campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the 2007 Certificates. The Series 2007 Certificates - Health initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to an irrevocable direct-pay letter of credit, prior to being refunded by the Series 2013B Certificates.

The Series 2013B Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013B Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

Certificates of Participation Series 2015A (refunded Series 2005A Certificates). On May 6, 2015, the USF Financing Corporation issued the $23,640,000 Certificates of Participation Series 2015A to refund the Series 2005A Certificates of Participation. The 2015A tax-exempt, fixed rate Certificates have interest rates ranging from 2.63 to 5 percent and mature in 2023.

The proceeds of the Series 2005A Certificates, issued on May 25, 2005, were used to (1) retire or defease the University's prior housing financings, and (2) pay certain expenses related to the issuance and sale of the Series 2005A Certificates, including the financial guaranty insurance policy premium.

The Series 2015A Certificates were issued pursuant to a Master Trust Agreement, dated as of May 1, 2005, as supplemented by the Series 2015A Supplemental Trust Agreement, dated as of May 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

For each of the above Certificates, the USF Property Corporation entered into ground lease agreements with the University, whereby the University leased to the USF Property Corporation the land on which all of the facilities are located or will be located. All of the rights, title, and interest of the USF Property Corporation in the lease agreements, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder have been irrevocably assigned by the USF Property Corporation to the Trustee, pursuant to assignment agreements.

With respect to the South Clinic Facility site, the University possesses a leasehold interest in the site, pursuant to a sublease dated March 15, 2006, between the University and Florida Health Science Center, Inc., d/b/a Tampa General Hospital, whereby Tampa General Hospital has subleased to the University the land on which the South Clinic Facility was constructed. The Financing Corporation has subleased the North Clinic Facility, the South Clinic Facility, and the Medical Office Building to UMSA, pursuant to individual office building lease agreements.

Bonds Series 2015 - Marshall Center (refunded Series 2005C Certificates). On May 6, 2015, the USF Financing Corporation issued the $31,595,000 Series 2015 Capital Improvement Refunding Revenue Bonds - Marshall Center to refund the Series 2005C Certificates of Participation. The tax-exempt, fixed rate Bonds have interest rates ranging from 2 to 5 percent and mature in 2036.

The proceeds derived from the issuance of the Series 2005C Certificates, issued on January 19, 2006, were used to (1) finance the construction of the Marshall Center student center, and (2) pay certain expenses related to the issuance and sale of the Series 2005C Certificates including the financial guaranty insurance policy premium.

On May 6, 2015, in connection with the refunding of the Series 2005C Certificates with the Series 2015 Marshall Center Bonds, the ground lease agreement related to the Housing facilities was amended and the Marshall Center was removed from the subject parcel.

The Series 2015 Bonds were issued pursuant to the terms of a Trust Indenture, dated as of May 1, 2015, by and among a Trustee and the USF Financing Corporation.

Notes Series 2010A and 2010B Athletics. On January 15, 2010 and December 15, 2010, the USF Financing Corporation issued the $10,000,000 Series 2010A Taxable Promissory Note and the $13,500,000 Series 2010B Taxable Promissory Note, respectively. The proceeds of the Notes were used to finance the acquisition, construction, and equipping of the athletics district facilities. The Series 2010A and 2010B fixed rate Notes have gross interest rates of 8.02 and 6.17 percent, respectively. As the Notes were issued under the Build America Bonds program, the net interest costs are equal to 65 percent of the gross interest rates. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2015-16 fiscal year, the direct Federal subsidies were reduced and the net interest costs equaled 67.4 percent. The Series 2010A and 2010B Notes mature in 2030 and 2031, respectively.

For the Series 2010A and 2010B Notes, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of January 15, 2010, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the athletics district facilities are located.

Note Series 2010 CAMLS. On December 15, 2010, the USF Financing Corporation issued the $20,000,000 Series 2010 CAMLS Taxable Promissory Note. The proceeds of the Note were used to finance the acquisition, construction, and equipping of the USF Center for Advanced Medical Learning and Simulation (CAMLS) facility. The Series 2010 Note has a gross interest rate of 6.17 percent. As the Note was issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2015-16 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.4 percent. The Series 2010 Note matures in 2031.

For the Series 2010 CAMLS Note, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of December 15, 2010, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The USF

Financing Corporation has subleased the CAMLS facility to the USF Health Professions Conferencing Corporation, a direct-support organization of the University, pursuant to a facility lease agreement.

Note Series 2013 Arena. On September 27, 2013, the USF Financing Corporation issued the $20,000,000 Series 2013 Arena Taxable Promissory Note. The proceeds of the Note were used to reimburse the University of South Florida for a portion of the costs undertaken by the University to renovate the USF Arena and Convocation Center. The Series 2013 Note has an interest rate of 4.78 percent and matures in 2033.

Principal and Interest Payments. Principal and interest payment requirements on the long term debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 11,075,998	$ 16,137,309	$ 27,213,307
2018	11,543,417	15,663,015	27,206,432
2019	12,017,668	15,125,940	27,143,608
2020	12,569,217	14,545,349	27,114,566
2021	13,153,556	13,929,165	27,082,721
2022-2026	72,779,697	59,487,092	132,266,789
2027-2031	89,972,557	38,700,754	128,673,311
2032-2036	89,645,000	16,129,442	105,774,442
2037-2041	21,050,000	1,773,061	22,823,061
Subtotal	333,807,110	191,491,127	525,298,237
Premiums	17,470,221	-	17,470,221
Total	**$ 351,277,331**	**$ 191,491,127**	**$ 542,768,458**

Interest Rate Swap Agreements. Effective March 16, 2006, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013A Certificates (refunded Series 2006A Certificates). The initial notional amount of the swap agreement is $47,315,000. The effect of the agreement is to limit the interest expense on the total $39,205,000 principal in variable rate Series 2013A Certificates. The interest rate on the swap agreement is 3.578 percent and the swap agreement expires July 1, 2016.

Effective September 25, 2007, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2012B Certificates (refunded Series 2007 Certificates - Housing). The initial notional amount of the swap agreement is $73,700,000. The effect of the agreement is to limit the interest expense on the total $63,675,000 principal in variable rate Series 2012B Certificates. The interest rate on the swap agreement, as amended on March 24, 2008, is 3.552 percent and the interest rate swap agreement expires July 1, 2037.

Effective November 19, 2007, the USF Financing Corporation entered into an interest swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013B Certificates (refunded Series 2007 Certificates - Health). The initial notional amount of the interest rate swap agreement is $22,830,000. The effect of the agreement is to limit the interest expense on the total $19,750,000 principal in the variable rate Series 2013B Certificates. The interest rate on the swap agreement is 3.397 percent and the swap agreement expires July 1, 2018.

The interest rate swap agreements contain collateral provisions to mitigate counterparty credit risk. The collateral provisions of the interest rate swap agreement relating to the Series 2012B Certificates require the USF Financing Corporation to maintain a rating of at least Baa1 by Moody's Investors Service or BBB+ by Standard & Poor's on its Housing Certificates. The provisions require the USF Financing Corporation to post collateral, in the form of cash or securities, for the negative valuation exposure in excess of the $10 million minimum threshold level. Additionally, the collateral provisions of the interest rate swap agreement relating to the Series 2013B Certificates, amended August 19, 2014, require the USF Financing Corporation to post collateral, in the form of cash or securities, totaling $1,000,000, regardless of fluctuations in exposure. As of June 30, 2016, the total posted collateral was $11,890,000.

The fair value of the swap agreements is the estimated amount the USF Financing Corporation would receive or pay to terminate the agreement at the reporting date, taking into account the current interest rates and the current creditworthiness of the counterparties. As of June 30, 2016, the USF Financing Corporation interest rate swap agreements had a cumulative negative fair value of $20,320,627, which represents the amount to be paid to terminate the agreements at the reporting date.

As of June 30, 2016, the USF Financing Corporation was not exposed to credit risk on its outstanding interest rate swap agreements because the agreements had a negative fair value. However, should interest rates change and the fair value of the swap agreements become positive, the USF Financing Corporation would be exposed to credit risk in the amount of the derivative's fair value.

The USF Financing Corporation is exposed to the risk (rollover risk) that the interest rate swap agreements or letters of credit mature prior to the termination of the variable rate debt. The USF Financing Corporation mitigates this risk by assessing, years in advance of the maturity of these items, the amount of variable rate debt then outstanding and makes provisions for extending these items. Maintaining strong credit ratings for the USF Financing Corporation and the underlying bond system plays an important role in this process.

The USF Financing Corporation is exposed to the risk (termination risk) that the interest rate swap agreements could be terminated by the counterparty. The USF Financing Corporation mitigates this risk with interest rate swap agreements that restrict termination by the counterparty and, if terminated, posted collateral assets would provide a liquid offset. The USF Financing Corporation has an option to terminate the interest rate swap agreement and, in the case of the USF Financing Corporation owing a termination payment to the counterparty, the University would use cash balances or funds provided by the refinanced transaction.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 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 employed by the State and 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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' Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $18,497,308 for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (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 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of 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 service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

	Percent of Gross Salary	
Class or Plan	**Employee**	**Employer (1)**
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
FRS, Plan E	6.25	11.90
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $18,547,490 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of $98,722,179 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.764319997 percent, which was an increase of 0.045843846 from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $12,576,806. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 10,422,139	$ 2,341,389
Change of assumptions	6,552,522	
Net difference between projected and actual earnings on FRS Plan investments		23,573,204
Changes in proportion and differences between University contributions and proportionate share of contributions	24,865,800	
University FRS contributions subsequent to the measurement date	18,547,490	
Total	$ 60,387,951	$ 25,914,593

The deferred outflows of resources related to pensions totaling $18,547,490, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2017	$ (2,290,946)
2018	(2,290,946)
2019	(2,290,946)
2020	17,157,684
2021	4,710,522
Thereafter	930,500
Total	$ 15,925,868

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of Plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015 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 pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation[1]**	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

[1] As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	$ 255,811,492	$ 98,722,179	$ (32,001,933)

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.

<u>HIS Pension Plan</u>

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

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $3,647,462 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of $72,084,066 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 one 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, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.706815530 percent, which was an increase/decrease of 0.037948860 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of $5,920,502. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**
Change of assumptions	$ 5,671,135
Net difference between projected and actual earnings on HIS Plan investments	39,021
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	3,336,334
University HIS contributions subsequent to the measurement date	3,647,462
Total	$ 12,693,952

The deferred outflows of resources totaling $3,647,462, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2017	$ 1,537,863
2018	1,537,863
2019	1,537,863
2020	1,529,932
2021	1,526,125
Thereafter	1,376,844
Total	$ 9,046,490

Actuarial Assumptions. The total pension liability at July 1, 2015 determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.80 percent

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

While an experience study had not been completed for the HIS Plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
University's proportionate share of the net pension liability	$82,136,437	$ 72,084,066	$63,701,897

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 Comprehensive Annual Financial Report.

13. Retirement Plans – Defined Contribution Pension Plans

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 of Florida 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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04

percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $4,373,567 for the fiscal year ended June 30, 2016.

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 FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $20,345,527 and employee contributions totaled $14,559,108 for the 2015-16 fiscal year.

14. Construction Commitments

The University's construction commitments at June 30, 2016, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Health Heart Institute	$ 34,381,001	$ 2,768,296	$ 31,612,705
USF St. Petersburg College of Business	29,778,499	18,284,003	11,494,496
USF Morsani College of Medicine	22,000,000	-	22,000,000
USF Health Student Wellness Center	7,116,624	5,243,720	1,872,904
USF Library Remodel	4,122,733	-	4,122,733
Subtotal	97,398,857	26,296,019	71,102,838
Other Projects (1)	34,731,010	14,963,333	19,767,677
Total	$ 132,129,867	$ 41,259,352	$ 90,870,515

Note: (1) Individual projects with current balance committed of less than $4 million at June 30, 2016.

15. Risk Management 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 2015-16 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses through February 14, 2016, and increased to $85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

University Self-Insurance Program

The University of South Florida Health Sciences Center Self-Insurance Program provides medical professional liability insurance coverage to the University of South Florida Board of Trustees, as well as the faculty, staff, residents and students engaged in medical programs at the University of South Florida.

The Program provides coverage to protected entities in the amount of $200,000 per claim and $300,000 per occurrence pursuant to Section 768.28, *Florida Statutes*. Additional coverage is provided through the University of South Florida Health Sciences Center Insurance Company, a captive insurance company, with a self-insured retention of $3 million per occurrence up to an aggregate of $10 million for all payments made on claims arising during the fiscal year. Losses in excess of the $3M/$10M self-insured retention, up to $35 million, are insured commercially. Settled claims have not exceeded the $200,000/$300,000 limits in any of the past three fiscal years.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2015, and June 30, 2016, are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liabilities End Of Year
2014-15	$ 19,010,410	$ 2,947,300	$ (2,527,462)	$ 19,430,248
2015-16	19,430,248	3,876,519	(2,477,045)	20,829,722

16. Litigation

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

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 362,773,804
Research	285,910,278
Public Services	5,311,771
Academic Support	123,936,178
Student Services	53,814,767
Institutional Support	98,688,844
Operation and Maintenance of Plant	58,251,586
Scholarships, Fellowships, and Waivers	74,854,388
Depreciation	49,499,494
Auxiliary Enterprises (Net)	155,604,031
Loan Operations	100,962
Total Operating Expenses	$ 1,268,746,103

18. Segment Information

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

Condensed Statement of Net Position

	Parking Facility
Assets	
Current Assets	$ 13,130,312
Capital Assets, Net	38,796,699
Other Noncurrent Assets	9,915,883
Total Assets	61,842,894
Deferred Outflows of Resources	361,525
Liabilities	
Current Liabilities	2,735,106
Noncurrent Liabilities	21,531,706
Total Liabilities	24,266,812
Deferred Inflows of Resources	128,195
Net Position	
Net Investment in Capital Assets	16,687,513
Restricted - Expendable	10,251,207
Unrestricted	10,870,692
Total Net Position	$ 37,809,412

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

	Parking Facility
Operating Revenues	$ 14,047,255
Depreciation Expense	(1,556,973)
Other Operating Expenses	(8,922,077)
Operating Income	3,568,205
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	103,138
Interest Expense	(1,077,459)
Other Nonoperating Expense	(40,147)
Net Nonoperating Expenses	(1,014,468)
Increase in Net Position	2,553,737
Net Position, Beginning of Year	35,255,675
Net Position, End of Year	$ 37,809,412

Condensed Statement of Cash Flows

	Parking Facility
Net Cash Provided (Used) by:	
Operating Activities	$ 5,644,535
Noncapital Financing Activities	-
Capital and Related Financing Activities	(3,754,633)
Investing Activities	(1,556,466)
Net Increase in Cash and Cash Equivalents	333,436
Cash and Cash Equivalents, Beginning of Year	3,481,776
Cash and Cash Equivalents, End of Year	$ 3,815,212

19. Blended Component Unit

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

Condensed Statement of Net Position

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 6,862,595	$ 779,138,036	$ -	$ 786,000,631
Capital Assets, Net	39,779	845,644,693		845,684,472
Other Noncurrent Assets	43,986,523	17,993,696		61,980,219
Total Assets	50,888,897	1,642,776,425	-	1,693,665,322
Defferred Outflows Resources		73,081,903		73,081,903
Liabilities:				
Other Current Liabilities	834,326	209,009,864		209,844,190
Noncurrent Liabilities	20,058,639	381,912,328		401,970,967
Total Liabilities	20,892,965	590,922,192	-	611,815,157
Deferred Inflows of Resources		25,914,593		25,914,593
Net Position:				
Net Investment in Capital Assets	39,779	723,722,861		723,762,640
Restricted - Expendable	29,956,153	171,321,244		201,277,397
Unrestricted		203,977,438		203,977,438
Total Net Position	$ 29,995,932	$ 1,099,021,543	$ -	$ 1,129,017,475

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

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	$ 7,017,692	$ 809,257,065	$ (569,576)	$ 815,705,181
Depreciation Expense	(11,441)	(49,535,999)		(49,547,440)
Other Operating Expenses	(7,505,040)	(1,212,263,200)	569,576	(1,219,198,664)
Operating Loss	(498,789)	(452,542,133)	-	(453,040,922)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	942,724	499,478,091		500,420,815
Interest Expense		(1,129,506)		(1,129,506)
Other Nonoperating Expense	-	(46,328,884)		(46,328,884)
Net Nonoperating Revenues	942,724	452,019,701	-	452,962,425
Other Revenues, Expenses, Gains, and Losses	-	41,350,222	-	41,350,222
Increase in Net Position	443,935	40,827,790	-	41,271,725
Net Position, Beginning of Year	29,551,997	1,058,193,753	-	1,087,745,750
Net Position, End of Year	$ 29,995,932	$ 1,099,021,543	$ -	$ 1,129,017,475

Condensed Statement of Cash Flows

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 1,917,244	$ (368,405,210)	$ -	$ (366,487,966)
Noncapital Financing Activities		432,634,545		432,634,545
Capital and Related Financing Activities	(3,286)	(28,707,316)		(28,710,602)
Investing Activities	(66,047)	(41,816,358)		(41,882,405)
Net Increase (Decrease) in Cash and Cash Equivalents	1,847,910	(6,294,338)	-	(4,446,428)
Cash and Cash Equivalents, Beginning of Year	1,291,129	44,814,801		46,105,930
Cash and Cash Equivalents, End of Year	$ 3,139,039	$ 38,520,463	$ -	$ 41,659,502

20. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations							
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan (2)	Total
Assets:								
Current Assets	$128,316,998	$ 902,406	$ 2,018,067	$ 1,529,354	$ 18,899,504	$100,108,917	$ 73,729,431	$ 325,504,677
Capital Assets, Net	10,759,899	-	3,598,564	720,964	44,926,265	249,464,633	6,926,001	316,396,326
Other Noncurrent Assets	417,297,754	5,359,485	15,513	-	29,137,908	31,343,664	12,952,773	496,107,097
Total Assets	556,374,651	6,261,891	5,632,144	2,250,318	92,963,677	380,917,214	93,608,205	1,138,008,100
Deferred Outflows of Resources	-	-	-	-	497,068	-	-	497,068
Liabilities:								
Current Liabilities	10,722,055	2,219,040	4,512,418	1,161,397	11,221,640	16,979,729	13,214,182	60,030,461
Noncurrent Liabilities	5,447,403	-	5,091	616,235	30,217,068	360,521,960	454,097	397,261,854
Total Liabilities	16,169,458	2,219,040	4,517,509	1,777,632	41,438,708	377,501,689	13,668,279	457,292,315
Net Position:								
Net Investment in Capital Assets	4,960,041	-	2,492,731	(15,271)	14,600,431	-	6,505,093	28,543,025
Restricted	532,884,261	1,056,164	118,737	-	-	-	8,113,000	542,172,162
Unrestricted	2,360,891	2,986,687	(1,496,833)	487,957	37,421,606	3,415,525	65,321,833	110,497,666
Total Net Position	$540,205,193	$ 4,042,851	$ 1,114,635	$ 472,686	$ 52,022,037	$ 3,415,525	$ 79,939,926	$ 681,212,853

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

(2) The USF Medical Service Support Corporation (MSSC) and University Medical Services Association's (UMSA) financial statements were combined due to the transition of MSSC's operations to UMSA during the 2015-16 fiscal year. MSSC continues to be a direct-support organization of the University, but its former operations are assumed by UMSA.

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

	Direct-Support Organizations							
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan (2)	Total
Operating Revenues	$ 51,923,140	$ 2,613,729	$ 18,590,713	$10,518,492	$ 12,696,158	$ 53,216,060	$242,213,044	$ 391,771,336
Operating Expenses	(63,291,714)	(2,566,981)	(17,142,477)	(9,935,651)	(9,672,191)	(31,108,162)	(249,494,957)	(383,212,133)
Operating Income (Loss)	(11,368,574)	46,748	1,448,236	582,841	3,023,967	22,107,898	(7,281,913)	8,559,203
Net Nonoperating Expenses	(3,663,380)	(200,895)	(946,366)	(524,163)	(2,704,240)	(20,049,516)	(4,143,875)	(32,232,435)
Increase (Decrease) in Net Position	(15,031,954)	(154,147)	501,870	58,678	319,727	2,058,382	(11,425,788)	(23,673,232)
Net Position, Beginning of Year	555,237,147	4,196,998	612,765	414,008	51,702,310	1,357,143	91,365,714	704,886,085
Net Position, End of Year	$540,205,193	$ 4,042,851	$ 1,114,635	$ 472,686	$ 52,022,037	$ 3,415,525	$ 79,939,926	$ 681,212,853

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

(2) The USF Medical Service Support Corporation (MSSC) and University Medical Services Association's (UMSA) financial statements were combined due to the transition of MSSC's operations to UMSA during the 2015-16 fiscal year. MSSC continues to be a direct-support organization of the University, but its former operations are assumed by UMSA.

21. Subsequent Events – USF Financing Corporation – Component Unit

Conversion of Series 2013A Certificates

On July 1, 2016, the USF Financing Corporation converted the Series 2013A Certificates with outstanding par amount of $37,920,000, subsequent to the principal payment made on that day, from a variable rate to a 10-year fixed rate of 2.31%. The converted Certificates continue to be held as a direct placement by JPMorgan Chase Bank, N.A. The associated interest rate swap expired on the same day.

Termination of Support Agreement Related to Series 2010A&B Housing Certificates

The support agreement between the USF Foundation and the USF Financing Corporation related to the Series 2010A&B Housing Certificates provides that the Foundation may be released from its obligations and the support agreement terminated upon delivery to the Trustee of a certification by the University affirming that pledged Activity & Service fees exceed certain thresholds stipulated in the agreement. On July 8, 2016, the University provided said certification to the Trustee and the support agreement was terminated.

These events do not impact the USF Financing Corporation’s financial statements for the year ended June 30, 2016. As of the issuance date of the consolidated financial statements, USF Financing Corporation’s management is not aware of any subsequent events that would impact the consolidated financial statements for the year ended June 30, 2016.

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	$ -	$ 230,266,000	$230,266,000	0%	$463,709,057	49.7%
7/1/2013	-	247,391,000	247,391,000	0%	482,063,719	51.3%
7/1/2015	-	348,214,000	348,214,000	0%	498,680,238	69.8%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2015 (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.764319997%	0.718476151%	0.558052129%
University's proportionate share of the FRS net pension liability	$ 98,722,179	$ 43,837,611	$ 96,065,609
University's covered-employee payroll (2)	$466,345,909	$ 443,554,247	$ 431,524,683
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	21.17%	9.88%	22.26%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 18,547,490	$ 18,634,771	$ 15,737,677
FRS contributions in relation to the contractually required contribution	18,547,490	18,634,771	15,737,677
FRS contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll (2)	$490,228,479	$ 466,345,909	$ 443,554,247
FRS contributions as a percentage of covered-employee payroll	3.78%	4.00%	3.55%

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

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

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

	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.706815530%	0.668866670%	0.662647783%
University's proportionate share of the HIS net pension liability	$ 72,084,066	$ 62,540,666	$ 57,692,202
University's covered-employee payroll (2)	$208,898,281	$194,843,828	$ 189,351,023
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.51%	32.10%	30.47%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%	1.78%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 3,647,462	$ 2,701,889	$ 2,291,312
HIS contributions in relation to the contractually required HIS contribution	3,647,462	2,701,889	2,291,312
HIS contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll (2)	$ 220,376,032	$ 208,898,281	$ 194,843,828
HIS contributions as a percentage of covered-employee payroll	1.66%	1.29%	1.18%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Notes to Required Supplementary Information

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent

APPENDIX I

STATE OF FLORIDA
UNIVERSITY OF SOUTH FLORIDA
PARKING SERVICES

ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended June 30, 2016 and 2015

Unaudited

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Management’s Discussion and Analysis

Governance

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

Financial Highlights

- Total operating revenue from sales and services of $14.0 million in 2016 showed an increase of 1.8% over prior year’s sales and services of $13.8 million. This was a result of an increase in revenue from student transportation access fees and permit sales.

- Interest earnings increased $1,497 due to the increased cash and investment balances.

- Operating expenses showed a decrease related to salaries of $27,558, an increase in regular expenses of $234,190 and a decrease in overhead of $58,498. The following changes contributed to the $234,190 net increase in regular expenses:

    1. Increase in reimbursement to the University for cost of services of $83,638
    2. Increase in repairs/maintenance expense of $55,148

- Cash provided by operating activities of approximately $5.6 million directly corresponds to operating income.

- The Parking System remains very solvent, at June 30, 2016; net assets are approximately $37.8 million as total assets of $62.2 million exceed total liabilities of $24.4 million.

- Unrestricted cash and cash equivalents of $12.9 million provide excellent liquidity to the Parking System.

- The Parking System maintains restricted cash and investments of $10.2 million for capital projects, debt service and renewal and replacement costs.

Overview of Financial Statements

The Parking System financial statements include the following financial elements:

- A Statement of Net Position provides the reader with detail about the assets of the Parking System as well as its outstanding liabilities. The difference between assets and liabilities is reported as net position. The net position presentation shows additional breakdowns, which may help the reader's understanding of available resources of the Parking System versus those that are restricted. Changes in net position over time may be helpful in indicating an improving or deteriorating financial position.

- The Statement of Revenues, Expenses and Changes in Net Position, presents the revenues and expenses of the current fiscal year, which resulted from operations. The net revenue less expense when combined with other non-operating sources such as interest income and interest expenses results in the net income to the Parking System generated for the fiscal year, which increased the Net Position presented on the Statement of Net Position.

- The Statement of Cash Flows shows those items that resulted in sources and uses of cash to the Parking System's cash balance for the fiscal year for both restricted and unrestricted cash. A reconciliation of the cash change to the operating income of the Parking System is also included.

- The Notes to the Financial Statements provide background information that meets stringent governmental accounting reporting requirements and gives the reader additional information that may not be readily seen on the actual statements. Examples of such information include: a summary of significant accounting policies, capital assets, compensated absences, and bond indebtedness. The notes are an integral part of the financial statements.

Analysis of Financial Statements

Assets:	2016	2015
Current assets	$ 13,130,312	$ 11,691,306
Included: cash and cash equivalents	2,156,285	1,910,879
Investments	10,732,445	9,510,985
Capital assets	38,796,699	40,199,015
Restricted cash and cash equivalents	1,658,927	1,570,898
Restricted Investments	8,256,956	7,818,811
Total Assets	$ 61,842,894	$ 61,280,031
Deferred Outflow s of Resources	361,525	280,566
Total Assets & Deferred Outflow s of Resources	62,204,419	61,560,597
Liabilities		
Current liabilities	$ 2,735,105	$ 2,577,021
Noncurrent liabilities	21,531,706	23,340,194
Total Liabilities	$ 24,266,812	$ 25,917,216
Deferred Inflow s of Resources		
Deferred Inflow s of Pension Resources	$ 128,196	$ 387,706
Total Liabilities & Deferred Outflow s of Resources	$ 24,395,008	$ 26,304,922
Net Positon:		
Invested in capital assets, net of related debt	$ 16,687,513	$ 15,607,458
Restricted	10,251,207	10,232,210
Unrestricted	10,870,692	9,416,007
Total net position	$ 37,809,412	$ 35,255,675
Total operating revenues	$ 14,047,254	$ 13,803,614
Total operating expenses	$ 10,479,050	$ 10,554,944
Operating income	$ 3,568,205	$ 3,248,671
Interest income	$ 103,138	$ 101,641
Interest/other expenses	$ (1,117,606)	$ (1,748,505)
Transfers, net	$ -	$ -
Change in net position	$ 2,553,737	$ 1,601,806

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

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

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

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

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,156,285	$ 1,910,878
Investments	10,732,445	9,510,985
Accounts receivable, net	240,817	268,291
Due from other funds	765	1,153
Total current assets	13,130,312	11,691,306
Noncurrent assets		
Restricted cash	1,658,927	1,570,898
Restricted Investments	8,256,956	7,818,811
Capital assets	38,796,699	40,199,015
Total noncurrent assets	48,712,582	49,588,724
Total assets	$ 61,842,894	$ 61,280,031
Deferred Outflows of Resources		
Deferred Outflows of Pension Resources	361,525	280,566
Total Assets & Deferred Outflows of Resources	62,204,419	61,560,597
LIABILITIES		
Current liabilities		
Accounts payable	$ 496,496	$ 92,021
Bonds payable, current portion	2,225,000	2,485,000
Pension Liability- HIS, current portion	13,609	-
Total current liabilities	2,735,105	2,577,021
Noncurrent liabilities		
Bonds payable	19,884,187	22,106,557
Post Employment Health Care Benefits Payable	588,556	471,492
Pension Liability	831,343	543,814
Compensated absences payable	227,621	218,332
Total noncurrent liabilities	21,531,706	23,340,194
Total liabilities	24,266,812	25,917,216
Deferred Inflows of Resources		
Deferred Inflows of Pension Resources	128,196	387,706
Total Liabilities & Deferred Inflows of Resources	24,395,008	26,304,922
NET POSITION		
Invested in capital assets, net of related debt	16,687,513	15,607,458
Restricted for capital projects	6,911,572	6,835,075
Restricted for debt service	637,955	861,996
Restricted for renewal and replacement	2,701,680	2,535,139
Unrestricted	10,870,692	9,416,007
Total net position	37,809,412	35,255,675
Total liabilities and net position	$ 62,204,419	$ 61,560,597

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

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

	2016	2015
Revenues		
Operating revenues		
Sales and services	$ 14,048,020	$ 13,802,462
Other revenues	(765)	1,153
Total operating revenues	14,047,255	13,803,614
Expenses		
Operating expenses		
Salaries and related benefits	4,095,193	4,122,751
Expenses	4,053,002	3,818,812
Overhead Expense	773,881	832,379
Depreciation	1,556,973	1,781,002
Total operating expenses	10,479,050	10,554,944
Operating income	3,568,205	3,248,671
Nonoperating revenues (expense)		
Interest income	103,138	101,641
Interest expense	(1,077,459)	(1,291,257)
Other nonoperating expenses	-	(241,637)
Loss on disposal of equipment	(40,147)	(215,612)
Total nonoperating income (expenses)	(1,014,468)	(1,646,865)
Change in net position	2,553,737	1,608,806
Total net position		
Beginning of year	35,255,675	34,347,725
Adjustments to Beginning Net Position	-	(693,856)
End of year	$ 37,809,412	$ 35,255,675

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

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales receipts	$ 14,074,728	$ 13,798,305
Payment for salaries and related benefits	(4,008,172)	(4,063,031)
Payment for expenses	(4,422,408)	(4,635,938)
Advances to/ from other funds	388	(1,153)
Net cash provided by operating activities	5,644,535	5,098,184
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(194,804)	(545,578)
Debt service principal payments	(2,485,000)	(2,380,000)
Debt service interest payments	(1,074,829)	(1,179,379)
Net cash used by capital and related financing activities	(3,754,633)	(4,104,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchase) of Investments	(1,659,605)	(911,697)
Interest on investments	103,138	101,641
Net cash provided by investing activities	(1,556,467)	(810,056)
Net increase in cash and cash equivalents	333,436	183,171
Cash and cash equivalents, beginning of year	3,481,776	3,298,605
Cash and cash equivalents, end of year	$ 3,815,212	$ 3,481,776
Reconciliation of net operating revenues to net cash provided by operating activities		
Operating income		
Adjustments to reconcile operating income to net cash provided by operating activities-	$ 3,568,205	$ 3,255,536
Depreciation expense	1,556,973	1,781,002
Change in assets and liabilities		
Accounts receivable	27,474	(5,309)
Due from other funds	388	(1,153)
Accounts payable	404,475	15,253
Post Employment Health Care Benefits Payable	117,064	90,063
Pension Liability	(39,332)	(49,767)
Compensated absences payable	9,289	12,559
Net cash provided by operating activities	$ 5,644,535	$ 5,098,184

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

➢ Buildings	-	35 to 40 years
➢ Furniture, fixtures and equipment	-	5 to 15 years
➢ Vehicles	-	10 to 12 years
➢ Software	-	5 years

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

Revenue Recognition:

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

Sales and Services: Revenue is derived from the student transportation access fee assessed on a pre-credit-hour basis, faculty/staff and student decals sales, citations and pay/lots meters collections, and other miscellaneous income such as boot fees and campus signs. Revenue is recognized when earned.

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

Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balances. GASB Statement No. 16, Accounting for Compensated Absences, requires that the University accrue a liability for employees' rights to receive compensation for future absences when certain conditions are met. At June 30, 2016 and 2015, the estimated liability for annual and sick leave was $215,859 and $218,332, respectively.

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Amounts reported as cash and cash equivalents consist of cash on hand and cash held in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

NOTE 3 – INVESTMENTS

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

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

The University's recurring fair value measurements as of June 30, 2016 are valued using the following valuation techniques and inputs:

United States Treasury securities, Obligations of United States government agencies and instrumentalities, and Bonds and notes: These securities are valued daily by a pricing service that uses evaluated pricing applications which incorporate available market information. Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

Repurchase agreements: Repurchase agreements are collateralized at 102% by securities guaranteed by the US Government or an agency thereof and are valued at quoted prices for similar assets in active markets (Level 2 inputs).

Stocks and other equity securities: This type includes domestic and international equities valued at quoted prices in an active market (Level 1 inputs).

The University's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
United States Treasury Securities	10,661,965	-	10,661,965	-
Obligations of United States Government Agencies and Instrumentalities	1,074,856	-	1,074,856	-
Repurchase Agreements	52,528,358	-	52,528,358	-
Bonds and Notes	18,865,582	-	18,865,582	-
Stocks and Other Equity Securities	12,125,929	12,125,929	-	-
Total investments by fair value level	$ 95,256,690	$ 12,125,929	$ 83,130,761	$ -
Investments measured at the net asset value (NAV)				
Hedge Funds	25,475,887			
Mutual Funds				
Equities	100,929,943			
Bonds	408,816,479			
Money Market	1,175,521			
Total investments measured at NAV	536,397,829			
Total investments measured at fair value	$ 631,654,519			

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

Investments measured at the NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Hedge funds	$ 25,475,887	$ -	Annually	95 days
Mutual Funds				
Equities	100,929,943	$ -	Daily	0-7 days
Bonds	408,816,479	$ -	Daily	0-7 days
Money Market	1,175,521		Daily	0 days
Total investments measured at the NAV	$ 536,397,829			

Hedge funds. This category includes an investment in a hedge fund of funds that seeks capital appreciation by investing with long/short equity and absolute return-oriented managers that employ a bottom up, fundamental approach to investing. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Equity mutual funds. This category includes investments in domestic and international equities through commingled fund structures. The investment objective of these funds is to track the performance of their respective benchmarks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Bond mutual funds. This category includes investments in fixed income securities through commingled fund structures. The investment objective of these funds is to track the performance of their respective market-weighted indices with a short-term dollar-weighted average maturity. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Money market mutual funds. This category includes investments in high-quality money market instruments through commingled fund structures. The investment objective of these funds is to maximize current income, to the extent consistent with the preservation of capital, and maintain liquidity. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

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

Interest Rate and Credit Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University investment policy limits the fixed income portfolio (United States Treasury securities, United States government agency obligations, mortgage-backed securities, corporate debt, state and municipal securities investments) to a weighted average duration of less than five years. The University investment policy provides for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The University investment policy provides for credit rate risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the University's investments in debt securities and money market mutual funds at June 30, 2016:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating Moody's	 Standard and Poor's	Fair Value
United States Treasury Securities (3)	3.15	(1)	(1)	$ 10,661,965
Obligations of United States Government Agencies and Intrumentalities (3)	0.78	Aaa	AA+	1,074,856
Repurchase Agreements (4)	1 Day	(2)	(2)	52,528,358
Bonds and Notes (3)	3.45	Aaa - A3	AAA - A-	18,010,689
Bonds and Notes (3)	0.07	Aaa - Aa2	Not Rated	854,893
Bond Mutual Funds (4)	2.93 Years	Not Rated	Not Rated	408,816,479
Money Market Mutual Funds (3)	39 Days	Aaa-mf	AAAm	1,175,521
Total				$493,122,760

Notes: (1) Disclosure of credit risk is not required for this investment type.
(2) Disclosure of credit risk is not required as the securities underlying the repurchase agreement are guaranteed by the U.S. government.
(3) Medical Professional Liability Self-Insurance Program
(4) University

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

The Parking System investments are in the repurchase agreements and bond mutual funds listed above. Investment earnings for the year ended June 30, 2016 and 2015 were $103,138 and $101,641 respectively.

NOTE 4 – NET RECEIVABLES

Accounts receivable is reported net of an allowance for uncollectible accounts. At June 30, 2016, allowance for uncollectible accounts was estimated to be $205,062.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	July 1, 2015	*Additions*	*Retirements*	*June 30, 2016*
Buildings	51,919,289	6,373		51,925,662
Construction in Progress	-	-		-
Furniture, Fixtures & Equipment	1,138,918	15,904	62,424	1,092,397
Software	14,000		8,000	6,000
Vehicles	3,177,488	172,528	124,442	3,225,573
Total	56,249,695	194,804	194,866	56,249,633
Less Accumulated Depreciation:				
Buildings	13,117,171	1,301,732		14,418,903
Furniture, Fixtures & Equipment	943,434	78,286	53,807	967,913
Software	14,000		8,000	6,000
Vehicles	1,976,075	176,954	92,912	2,060,117
Total Accumulated Depreciation	16,050,680	1,556,973	154,719	17,452,933
Capital Assets Net	**40,199,015**	**(1,362,168)**	**40,147**	**38,796,699**

NOTE 6 – LONG TERM DEBT

Long –term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
2002, 2004 & 2006 Parking Garage Rev Bonds	24,610,000		2,485,000	22,125,000	2,225,000
Unamortized Premium	30,325		3,033	27,293	
Unamortized Loss				-	
Unamortized Bond Discount	(48,769)		(5,662)	(43,106)	
Total Bonds Payable	24,591,557	-	2,482,370	22,109,187	2,225,000
Other liabilities	-				
Post Employment Health Care Benefits Payable	471,492	117,064		588,556	
Compensated absences	218,332	9,289		227,621	
Total Other liabilities	689,824	126,353	-	816,177	
Total	25,281,380	126,353	2,482,370	22,925,363	2,225,000

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

Bond Type and Series	Amount of Original Issue	Amount Outstanding Principal	Amount Outstanding Interest	Interest Rates
Parking Garage 2002	12,700,000	5,620,000	1,107,269	4.25-4.75
Parking Garage 2004A	16,000,000	6,155,000	1,186,688	3.625-4.30
Parking Garage 2006A	17,020,000	10,350,000	2,649,886	4.10-4.50
Less: Bond Discount/Premium		(15,813)		
Amt deferred on Refunding				
Total Bonds Payable	45,720,000	22,109,187	4,943,843	

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	2,225,000	954,766	3,179,766
2018	2,315,000	863,924	3,178,924
2019	2,415,000	768,298	3,183,298
2020	2,515,000	667,211	3,182,211
2021	2,620,000	558,199	3,178,199
2022-2026	10,035,000	1,131,444	11,166,444
2027	-	-	-
subtotal	22,125,000	4,943,842	27,068,842
Less: Bond Discount/Premium	(15,813)		(15,813)
Amount Deferred on Refunding			-
Total (net of discount)	22,109,187	4,943,842	27,053,029

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

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

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

Interest expense on bonds for the fiscal year ended June 30, 2016 and 2015 respectively was $1,074,829 and $1,179,379.

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Board of Governors (the "Board"), the University of South Florida (the "University") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division") in connection with the issuance of $21,545,000 State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 5.03 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on August 2, 2016, providing for the issuance of the Bonds (the "Resolution"). The Board, the University and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Board, the University and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Board, the University, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution and the Original Resolution adopted by the Governing Board of the Division on July 26, 1994, as amended, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. CONTINUING DISCLOSURE. (A) Information To Be Provided. The Board and the University assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Board and the University hereby agree to provide or cause to be provided the information set forth below, or such other information as may be required, from time to time, to be provided by the Rule or the Division. The Division will be responsible for the filing of the information required by the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2016 and thereafter, annual financial information and operating data shall be provided within nine months after the end of the University's fiscal year. Such information shall include:

(a) Daytime Campus Population and Total Number of Parking Spaces;
(b) Student Parking Access Fee;
(c) Number and Costs of Parking Decals Issued by Type;
(d) Comparison of Budget to Actual for Fiscal Year;
(e) Historical Summary of Balance Sheet Date (Unaudited);
(f) Historical Statement of Revenues and Expenditures (Unaudited);
(g) Schedule of Historical Pledged Revenues and Debt Service Coverage;
(h) Investment of Funds;
(i) Parking System Financial Statements; and
(j) University Financial Statements.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the University's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(1) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Board or the University to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Board and the University acknowledge that their undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Board's and the University's obligations hereunder.

(B) Method of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Board's and the University's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board and the University shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as the trustee or bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Board or the University chooses to include additional information not specifically required by this Disclosure Agreement, neither the Board nor the University shall have any obligation to update such information or include it in any such future submission.

Dated this ______ day of _______________, 2017.

Board of Governors

By____________________________

Division of Bond Finance

By __________________________

University of South Florida

By____________________________
President

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APPENDIX K

[FORM OF BOND COUNSEL OPINION]

January 12, 2017

Board of Governors
Tallahassee, Florida

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

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Governors (the "Board"), the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance"), the State Board of Administration of the State of Florida, applicable provisions of the Constitution and laws of the State of Florida, and other proofs submitted to us relative to the issuance and sale of:

$21,545,000
STATE OF FLORIDA
BOARD OF GOVERNORS
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE REFUNDING BONDS
SERIES 2016A
Dated January 12, 2017
(the "2016A Bonds")

The 2016A Bonds are being issued by the Division of Bond Finance in the name of and on behalf of the Board for the purpose of refunding certain of the outstanding State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A, and State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Bonds, Series 2006A and paying certain costs of issuance of the 2016A Bonds under the authority of and in full compliance with the Constitution and statutes of the State of Florida, including particularly Sections 215.57-215.83, Florida Statutes, Section 1010.62, Florida Statutes, and other applicable provisions of law. The principal of, premium, if any, and interest on the 2016A Bonds will be secured by and payable solely from a first lien pledge of the Pledged Revenues on a parity with the currently Outstanding Bonds and any Additional Bonds hereafter issued (each as defined in the hereinafter defined Resolution).

The 2016A Bonds do not constitute a general obligation of the State of Florida or any political subdivision thereof within the meaning of any constitutional, statutory or other limitation of indebtedness and the owners thereof shall never have the right to compel the exercise of any ad valorem taxing power or taxation in any form for the payment of the principal of or interest on the 2016A Bonds.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. That such proceedings and proofs show lawful authority for issuance and sale of said 2016A Bonds pursuant to the Constitution and statutes of the State of Florida and pursuant to resolutions authorizing the issuance and sale of the 2016A Bonds duly adopted by the Governing Board of the Division of Bond Finance on July 26, 1994, as amended and supplemented by resolutions adopted on June 12, 2002, August 10, 2004 and August 2, 2016 (collectively, the "Resolution").

2. The 2016A Bonds (i) have been duly authorized, executed and delivered by the Division of Bond Finance and the Board and (ii) are valid and binding special obligations of the Board enforceable in accordance with their terms, payable solely from the sources provided therefor in the Resolution.

3. The 2016A Bonds and the income thereon are not subject to any State tax 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.

4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2016A Bonds in order that interest on the 2016A Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the 2016A Bonds to be included in federal gross income retroactive to the date of issuance of the 2016A Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Division of Bond Finance and the Board have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2016A Bonds.

Subject to compliance by the Division of Bond Finance and the Board with the aforementioned covenants, (a) interest on the 2016A Bonds is excluded from gross income of the holders thereof for purposes of federal income taxation, and (b) interest on the 2016A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, with respect to corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences caused by the ownership of or the receipt of interest on or the disposition of the 2016A Bonds.

It is to be understood that the rights of the owners of the 2016A Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not independently verified the accuracy or truthfulness thereof and the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Our opinions expressed herein are predicated upon present law, facts and circumstances as of the date of issuance and delivery of the 2016A Bonds, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after such date.

As Bond Counsel, we have not been engaged nor have we, in such capacity, undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2016A Bonds and we express no opinion herein relating thereto.

Very truly yours,

BRYANT MILLER OLIVE P.A.

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION OF BOND FINANCE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the 2016A Bonds. The 2016A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2016A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2016A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016A Bond documents. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2016A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division of Bond Finance as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2016A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Board of Governors, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its services with respect to the 2016A Bonds at any time by giving reasonable notice to the Division of Bond Finance or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division of Bond Finance may decide to discontinue use of the system of book-entry transfers for the 2016A Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2016A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2016A Bonds.

For every transfer and exchange of beneficial interests in the 2016A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2016A Bonds, references herein to the Registered Owners or Holders of the 2016A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2016A Bonds unless the context requires otherwise.

The Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2016A Bonds;

(ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any 2016A Bond, including, without limitation, any notice of redemption;

(iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2016A Bonds, or the purchase price of, any 2016A Bond;

(iv) any consent given by DTC or any successor securities depository as registered owner; or

(v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2016A Bonds for partial redemption.

So long as the 2016A Bonds are held in book-entry only form, the Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2016A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2016A Bonds;

(ii) giving notices of redemption and other matters with respect to the 2016A Bonds;

(iii) registering transfers with respect to the 2016A Bonds; and

(iv) the selection of the beneficial ownership interests in the 2016A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2016A Bond as the absolute owner for all purposes, whether or not such 2016A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2016A Bonds will be payable upon presentation and surrender of the 2016A Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each 2016A Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such 2016A Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2016A Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered 2016A Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2016A 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 must be paid before any such new 2016A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2016A Bonds on the Record Date.

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