

Report No. 2021-189

March 2021

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA AGRICULTURAL AND  
MECHANICAL UNIVERSITY**

For the Fiscal Year Ended  
June 30, 2020



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2019-20 fiscal year, Dr. Larry Robinson served as President of Florida Agricultural and Mechanical University and the following individuals served as Members of the Board of Trustees:

Kelvin L. Lawson, Chair	Dominique Xavier McClinton from 5-1-20 <sup>c</sup>
Kimberly Ann Moore, Vice Chair	Harold Mills through 10-29-19
Dr. Matthew M. Carter II through 9-6-19 <sup>a</sup>	Rochard Moricette through 4-30-20 <sup>c</sup>
Ann Marie Cavazos from 8-5-19 <sup>b</sup>	Belvin Perry Jr.
Thomas W. Dortch Jr.	Craig Reed
Dr. Bettye A. Grable through 8-4-19 <sup>b</sup>	Nicole Washington
Kristin Harper from 10-30-19	Robert L. Woody
David Lawrence Jr.	

<sup>a</sup> Trustee position vacant 9-7-19, through 6-30-20.

<sup>b</sup> Faculty Senate Chair.

<sup>c</sup> Student Body President.

Note: One Trustee position vacant during the entire period.

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

The team leader was Craig J. Pohlmann, CPA, and the audit was supervised by Maria G. Loar, CPA.

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

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**State of Florida Auditor General**

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**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Florida Agricultural and Mechanical University (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 Florida Agricultural and Mechanical University 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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective action for the finding included in our report No. 2020-150.

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, 2020. 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.

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2020, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, 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 our report dated March 29, 2021, on our consideration of the Florida Agricultural and Mechanical University's internal

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 29, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2020, 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, 2020, and June 30, 2019.

### **FINANCIAL HIGHLIGHTS**

The University continues to address the impact of the pandemic in all aspects, including financial. As the financial performance of the University for the 2019-20 fiscal year is discussed in further detail, the impact of the pandemic will be noted where relevant.

During the spring semester of the 2019-20 fiscal year, the University began its response to the COVID-19 pandemic. The initial actions taken by the University in March 2020 were as follows:

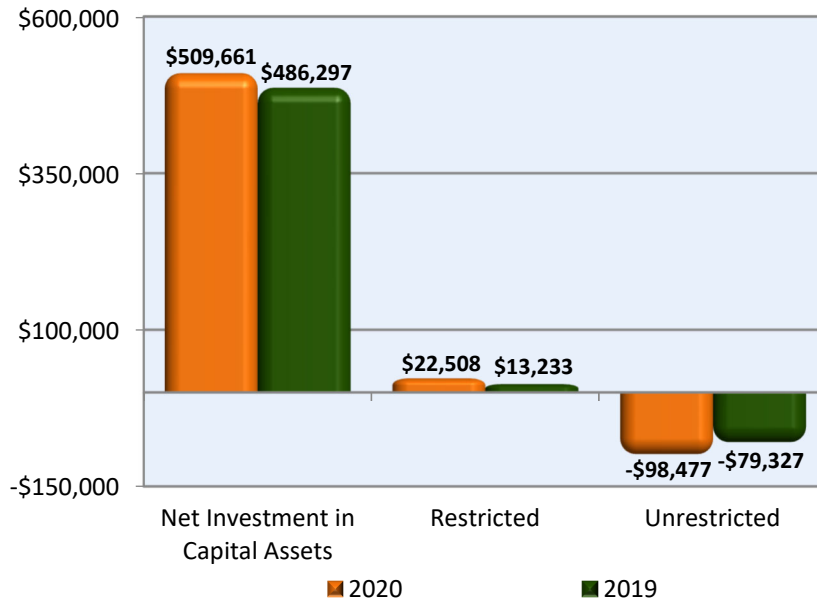
- Online remote instruction began, and most employees started working remotely;
- Student moveout procedures were announced along with housing and meal plan refunds; and
- All athletic activities were suspended.

The University's assets and deferred outflows of resources totaled \$790 million at June 30, 2020. This balance reflects a \$83 million, or 11.7 percent, increase as compared to the 2018-19 fiscal year, resulting from increases in net capital assets of \$61 million and current assets of \$16.9 million. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by \$69.5 million, or 24.2 percent, totaling \$356.3 million at June 30, 2020, resulting from capital improvement debt payable increasing by \$41.7 million, other postemployment benefits payable increasing by \$11.5 million, and net pension liability increasing by \$7.6 million. As a result, the University's net position increased by \$13.5 million, resulting in a year-end balance of \$433.7 million.

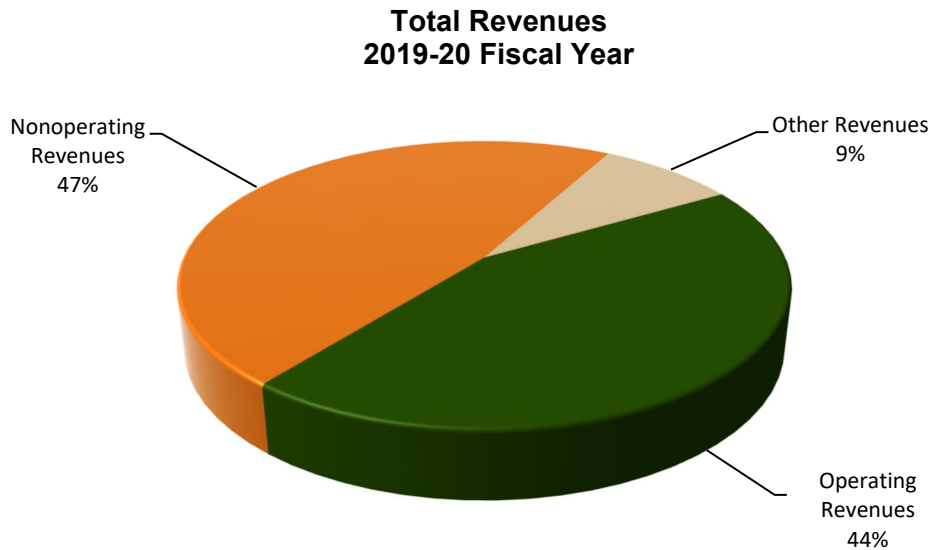
The University's operating revenues totaled \$139.4 million for the 2019-20 fiscal year, representing an 8.2 percent increase compared to the 2018-19 fiscal year due mainly to an increase in grants and contracts of \$9.4 million. Operating expenses totaled \$313.2 million for the 2019-20 fiscal year, representing an increase of 8.6 percent as compared to the 2018-19 fiscal year due mainly to increases in compensation and employee benefits of \$20.6 million. 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, 2020, and June 30, 2019, is shown in the following graph:



**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2019-20 fiscal year:



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the University’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include: Florida Agricultural and Mechanical University Foundation, Inc. (Foundation), the Florida Agricultural and Mechanical University National Alumni Association, Inc. (Alumni Association), and

FAMU Rattler Boosters, Inc. (Boosters). Based on the application of the criteria for determining component units, the Foundation, Alumni Association, and Boosters are included within the University reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the 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, all of the component units report under GASB standards, and MD&A information is included in their separately issued audit reports.

### **The Statement of Net Position**

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

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

#### **Condensed Statement of Net Position at June 30**

(In Thousands)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets	\$ 109,679	\$ 92,802
Capital Assets, Net	620,803	559,823
Other Noncurrent Assets	16,075	14,477
<b>Total Assets</b>	<u>746,557</u>	<u>667,102</u>
<b>Deferred Outflows of Resources</b>	<u>43,393</u>	<u>39,855</u>
<b>Liabilities</b>		
Current Liabilities	46,314	37,012
Noncurrent Liabilities	289,534	228,725
<b>Total Liabilities</b>	<u>335,848</u>	<u>265,737</u>
<b>Deferred Inflows of Resources</b>	<u>20,410</u>	<u>21,017</u>
<b>Net Position</b>		
Net Investment in Capital Assets	509,661	486,297
Restricted	22,508	13,233
Unrestricted	(98,477)	(79,327)
<b>Total Net Position</b>	<u>\$ 433,692</u>	<u>\$ 420,203</u>

Total assets increased by \$79.5 million, total liabilities increased by \$70.1 million, and total net position increased by \$13.5 million. The increase in current assets of \$16.9 million is primarily due to increases

in investments and due from State. The increase in capital assets, net of \$61 million is primarily due to additions to construction in progress for the Center for Academic and Student Success (CASS), and Student Housing – 700 Bed Facility Towers Living Learning Center construction projects. The increase in current liabilities of \$9.3 million is primarily due to increases in construction contracts payable related to the capital improvement debt for the Student Housing – 700 Bed Facility Towers Living Learning Center construction project.

### **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 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	<b>2019-20</b>	<b>2018-19</b>
Operating Revenues	\$ 139,430	\$ 128,886
Less, Operating Expenses	313,236	288,425
<b>Operating Loss</b>	(173,806)	(159,539)
Net Nonoperating Revenues	156,776	141,906
<b>Loss Before Other Revenues</b>	(17,030)	(17,633)
Other Revenues	27,334	5,932
<b>Net Increase (Decrease) In Net Position</b>	10,304	(11,701)
Net Position, Beginning of Year	420,203	431,904
Adjustment to Beginning Net Position (1)	3,185	-
<b>Net Position, Beginning of Year, as Restated</b>	423,388	431,904
<b>Net Position, End of Year</b>	\$ 433,692	\$ 420,203

(1) For the 2019-20 fiscal year, the University’s beginning net position was increased due to a third-party receivable transaction not being posted in the 2018-19 fiscal year.

### **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.

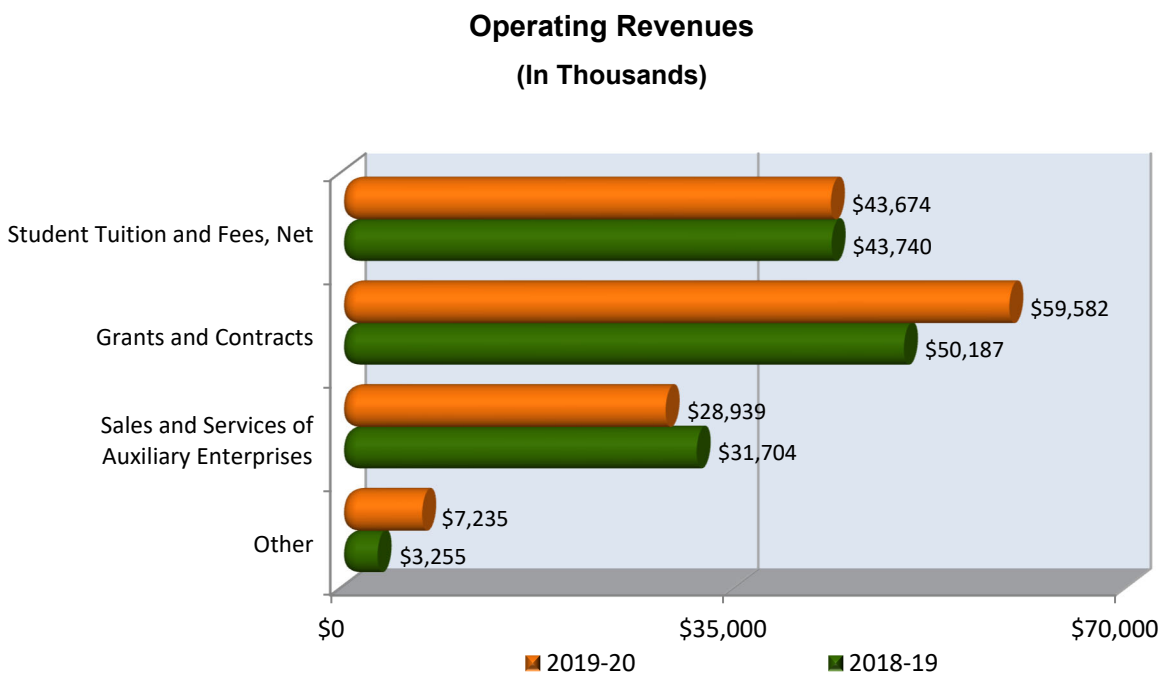
The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

## Operating Revenues For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	\$ 43,674	\$ 43,740
Grants and Contracts	59,582	50,187
Sales and Services of Auxiliary Enterprises	28,939	31,704
Other	7,235	3,255
<b>Total Operating Revenues</b>	<b>\$ 139,430</b>	<b>\$ 128,886</b>

The following chart presents the University's operating revenues for the 2019-20 and 2018-19 fiscal years:



University operating revenue increased \$10.5 million, or 8.2 percent as a result of the following factors:

Grants and contracts revenue of \$59.6 million increased by \$9.4 million due to increases in Federal grants and contracts funding primarily due to funding of \$11.2 million from the United States Department of Education under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for emergency institutional and student aid.

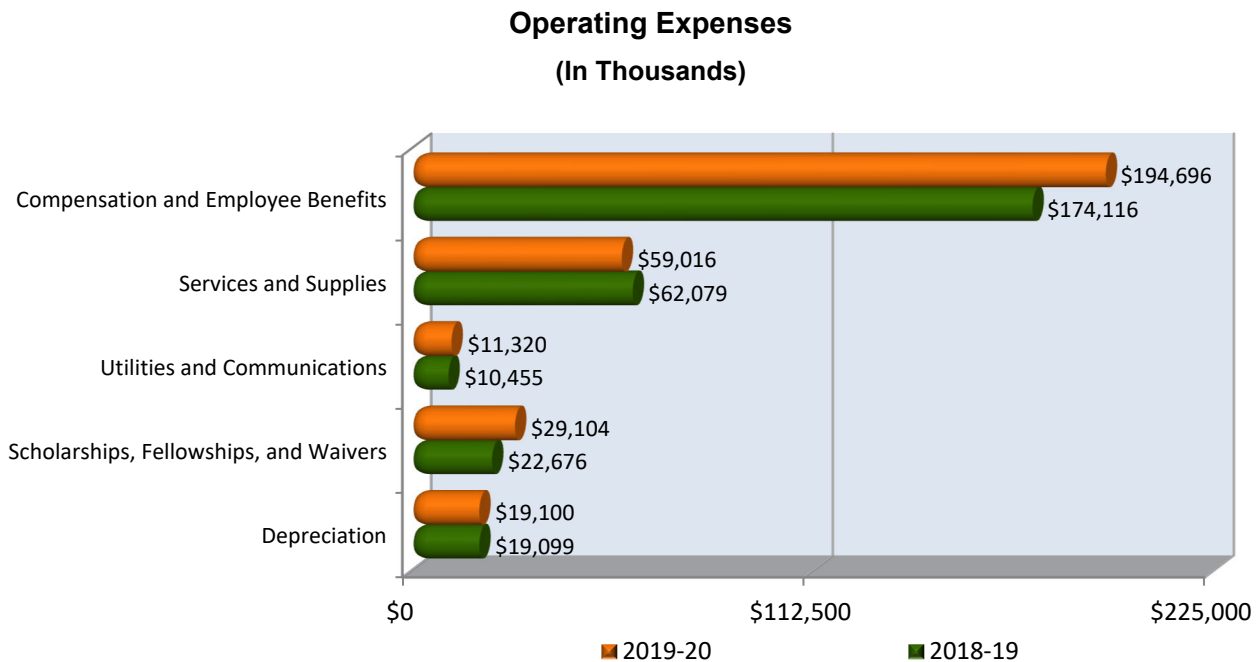
### **Operating Expenses**

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 2019-20 and 2018-19 fiscal years:

<b>Operating Expenses For the Fiscal Years</b>		
(In Thousands)		
	<u>2019-20</u>	<u>2018-19</u>
Compensation and Employee Benefits	\$ 194,696	\$ 174,116
Services and Supplies	59,016	62,079
Utilities and Communications	11,320	10,455
Scholarships, Fellowships, and Waivers	29,104	22,676
Depreciation	19,100	19,099
<b>Total Operating Expenses</b>	<b><u>\$ 313,236</u></b>	<b><u>\$ 288,425</u></b>

The following chart presents the University's operating expenses for the 2019-20 and 2018-19 fiscal years:



Total operating expenses increased by \$24.8 million, or 8.6 percent, as compared to the 2018-19 fiscal year primarily due to the following factors:

Compensation and employee benefits increased \$20.6 million, or 11.8 percent as compared to the 2018-19 fiscal year due to salary raises and related benefit increases of \$13.7 million, and increases in pension expense of \$6.1 million and other postemployment benefits of \$0.8 million.

Scholarship, fellowships, and waivers increased \$6.4 million, or 28.3 percent, primarily due to CARES Act emergency student aid disbursements.

## **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 2019-20 and 2018-19 fiscal years:

	<b>2019-20</b>	<b>2018-19</b>
State Noncapital Appropriations	\$ 122,766	\$ 110,216
Federal and State Student Financial Aid	36,915	35,657
Noncapital Grants, Contracts, and Gifts	2,168	3,037
Investment Income	1,362	925
Unrealized Gains on Investments	961	998
Other Nonoperating Revenues	142	-
Loss on Disposal of Capital Assets	(535)	(6,514)
Interest on Capital Asset-Related Debt	(1,920)	(1,929)
Other Nonoperating Expenses	(5,083)	(484)
<b>Net Nonoperating Revenues</b>	<b>\$ 156,776</b>	<b>\$ 141,906</b>

Net nonoperating revenues increased by \$14.9 million, or 10.5 percent, as compared to the 2018-19 fiscal year primarily due to the following factors:

State noncapital appropriations increased by \$12.6 million primarily due to the University's ability to meet performance funding goals for the fiscal year. Noncapital grants, contracts, and gifts decreased \$0.9 million due to a decrease in scholarship support from the Foundation.

## **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, expenses, gains, or losses for the 2019-20 and 2018-19 fiscal years:

	<b>2019-20</b>	<b>2018-19</b>
State Capital Appropriations	\$ 26,684	\$ 4,071
Capital Grants, Contracts, Donations, and Fees	650	1,861
<b>Total</b>	<b>\$ 27,334</b>	<b>\$ 5,932</b>

Other revenues totaled \$27.3 million for the 2019-20 fiscal year, representing an increase of \$21.4 million primarily due to an increase in State capital appropriations related to the construction of the new CASS building.

### **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 2019-20 and 2018-19 fiscal years:

<b>Condensed Statement of Cash Flows For the Fiscal Years</b>	<b>2019-20</b>	<b>2018-19</b>
<b>(In Thousands)</b>	<b>_____</b>	<b>_____</b>
Cash Provided (Used) by:		
Operating Activities	\$ (137,185)	\$ (129,281)
Noncapital Financing Activities	156,091	153,353
Capital and Related Financing Activities	(22,801)	(9,164)
Investing Activities	(6,533)	1,165
	<b>_____</b>	<b>_____</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(10,428)	16,073
Cash and Cash Equivalents, Beginning of Year	33,873	17,800
	<b>_____</b>	<b>_____</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 23,445</b>	<b>\$ 33,873</b>
	<b>=====</b>	<b>=====</b>

Major sources of funds came from State noncapital appropriations (\$122.8 million), grants and contracts (\$62.2 million), proceeds from capital debt and leases (\$43.2 million), net student tuition and fees (\$43.4 million), Federal and State student financial aid (\$36.9 million), sales and services of auxiliary enterprises (\$29.4 million), and State capital appropriations (\$15.8 million). Major uses of funds were for payments made to and on behalf of employees totaling \$177.7 million; payments to suppliers totaling \$70.9 million; purchase or construction of capital assets totaling \$78.2 million; and payments to and on behalf of students for scholarships totaling \$29.1 million.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,  
AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2020, the University had \$941.8 million in capital assets, less accumulated depreciation of \$321 million, for net capital assets of \$620.8 million. Depreciation charges for the current fiscal year

totaled \$19.1 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)

	<u>2020</u>	<u>2019</u>
Land	\$ 25,369	\$ 25,369
Works of Art and Historical Treasures	743	743
Construction in Progress	97,561	26,847
Buildings	414,666	420,988
Infrastructure and Other Improvements	62,418	64,700
Furniture and Equipment	12,515	12,510
Library Resources	7,301	8,297
Property Under Capital Leases	139	267
Computer Software and Other Capital Assets	91	102
<b>Capital Assets, Net</b>	<u><u>\$620,803</u></u>	<u><u>\$559,823</u></u>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2020, were incurred on the following projects: CASS, Student Housing – 700 Bed Facility Towers Living Learning Center, and maintenance and renovation projects. The University's major construction commitments at June 30, 2020, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 116,609
Completed to Date	<u>(97,561)</u>
<b>Balance Committed</b>	<u><u>\$ 19,048</u></u>

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

**Debt Administration**

As of June 30, 2020, the University had \$111.1 million in outstanding capital improvement debt payable, and capital lease payable, representing an increase of \$40.6 million, or 57.6 percent, from the prior fiscal year. The additional debt is due to the construction of the Student Housing – 700 Bed Facility Towers Living Learning Center. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:



## Long-Term Debt at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
Capital Improvement Debt	\$ 103,568	\$ 61,865
Capital Leases	7,575	8,635
<b>Total</b>	<u>\$ 111,143</u>	<u>\$ 70,500</u>

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

### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The 2019-20 fiscal year was impacted by COVID-19 as the University was challenged in March 2020 with closure of the campus and moving to all online learning for the balance of the semester. This pandemic did more than just disrupt the teaching and learning experience. While instruction was perhaps the hardest hit for the University, there were also substantial changes to the delivery of student and administrative services and the physical management of the campus itself. In most cases, employees were no longer able to report to work and perform their job duties. Instead they too had to learn to work remotely while balancing a work/life balance with attention towards the challenging environments due to COVID-19. This crisis presented a financial burden to the University and although CARES Act funding provided some relief to students and to the University, this was not sufficient to meet the financial demands. The University shouldered a financial burden while trying to normalize activities in addition to the disruption of personnel resources in efforts to provide services.

The University's primary source of revenue continues to be State noncapital appropriations. The amount of funding received by the University is highly dependent upon the success of the State of Florida's economy.

In the 2020-21 fiscal year, the Florida Legislature increased its appropriation to the State University System by \$32.3 million, or 0.6 percent. This amount includes \$30 million of funding to support recruitment and retention of faculty and research scholars, as well as to support excellence in specified professional and graduate degree programs. The University received \$0.8 million of these funds. In addition, the University was provided \$6 million in additional operational support during the 2020-21 fiscal year.

Enrollment is an important factor in the outcome of the University's financial condition. Enrollment for Fall 2020 decreased by 4.6 percent compared to the previous year. The University is taking steps to improve student success and future enrollment by restructuring academic advisement, increasing academic support, and enhancing student support services for all academic disciplines to ensure all students are retained and are progressing toward graduation.

Having stated the above, the University remains committed to pursuing its goal of increasing enrollment while strategically adding, and when appropriate, eliminating programs. Cost containment and revenue initiatives are necessary to ensure the strength of the University.

This ongoing pandemic has not relented and in the 2020-21 fiscal year, there will still be the burden of additional costs to include testing supplies, additional staffing, change in instructional and service deliveries and also, providing for an on-campus experience for those students that return for fall. This is and will continue to generate the need to align budget to meet these new expenditures.

The University is focused and is being very deliberate in controlling the expenditure of funds and is optimistically cautious in regard to the impact of COVID-19 to the 2020-21 fiscal year and perhaps the outlying years. Extra efforts are being placed upon retention of the student population in light of the projected national downturn of higher education enrollments. These efforts will not occur without a great deal of manpower and funding as we navigate through these unprecedented times.

Overall, the national economic climate and the State's priorities will continue to shape appropriations in Florida's public higher education sector. Institutional leadership closely monitors policy changes and their impact on the University's ability to advance its mission.

#### 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 Dr. Alan Robertson, CPA, Vice President for Finance and Administration and Chief Financial Officer, Florida Agricultural and Mechanical University, 1601 South Martin Luther King Jr. Blvd., Tallahassee, Florida 32307.

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# BASIC FINANCIAL STATEMENTS

## FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY A Component Unit of the State of Florida Statement of Net Position

June 30, 2020

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,670,164	\$ 834,074
Investments	49,885,995	1,844,208
Accounts Receivable, Net	16,822,142	123,734
Loans and Notes Receivable, Net	27,757	-
Due from State	21,787,166	-
Due from Component Units	1,570,759	-
Inventories	915,146	-
Other Current Assets	-	182,803
<b>Total Current Assets</b>	<b>109,679,129</b>	<b>2,984,819</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,774,710	-
Restricted Investments	8,646,889	125,430,431
Loans and Notes Receivable, Net	917,359	-
Depreciable Capital Assets, Net	497,130,187	158,285
Nondepreciable Capital Assets	123,672,846	27,000
Other Noncurrent Assets	1,736,167	427,612
<b>Total Noncurrent Assets</b>	<b>636,878,158</b>	<b>126,043,328</b>
<b>Total Assets</b>	<b>746,557,287</b>	<b>129,028,147</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	10,312,272	-
Pensions	33,081,171	-
<b>Total Deferred Outflows of Resources</b>	<b>43,393,443</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	8,475,691	219,428
Construction Contracts Payable	10,686,416	-
Salary and Wages Payable	4,733,084	-
Deposits Payable	3,473,213	-
Due to State	107,409	-
Due to University	-	1,570,759
Unearned Revenue	10,497,515	-
Other Current Liabilities	-	2,628,024
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,575,771	-
Capital Lease Payable	841,889	-
Compensated Absences Payable	1,624,295	-
Other Postemployment Benefits Payable	899,165	-
Net Pension Liability	399,599	-
<b>Total Current Liabilities</b>	<b>46,314,047</b>	<b>4,418,211</b>

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	98,991,778	-
Capital Lease Payable	6,732,869	-
Compensated Absences Payable	20,444,926	-
Other Postemployment Benefits Payable	68,632,035	-
Net Pension Liability	92,825,946	-
Other Noncurrent Liabilities	1,906,827	1,742,286
<b>Total Noncurrent Liabilities</b>	<u>289,534,381</u>	<u>1,742,286</u>
<b>Total Liabilities</b>	<u>335,848,428</u>	<u>6,160,497</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	11,673,737	-
Pensions	8,736,563	-
<b>Total Deferred Inflows of Resources</b>	<u>20,410,300</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	509,660,726	185,286
Restricted for Nonexpendable:		
Endowment	-	89,922,352
Restricted for Expendable:		
Debt Service	8,646,889	-
Loans	97,214	-
Capital Projects	13,764,489	-
Other	-	30,997,950
Unrestricted	(98,477,316)	1,762,062
<b>TOTAL NET POSITION</b>	<u>\$ 433,692,002</u>	<u>\$ 122,867,650</u>

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$36,859,614	\$ 43,673,923	\$ -
Federal Grants and Contracts	49,630,096	-
State and Local Grants and Contracts	8,443,521	-
Nongovernmental Grants and Contracts	1,508,364	-
Sales and Services of Auxiliary Enterprises (\$14,953,068 Pledged for Housing Capital Improvement Debt)	28,938,662	-
Other Operating Revenues	7,235,079	7,381,413
<b>Total Operating Revenues</b>	<b>139,429,645</b>	<b>7,381,413</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	194,696,199	1,989,721
Services and Supplies	59,015,809	7,234,833
Utilities and Communications	11,319,536	50,145
Scholarships, Fellowships, and Waivers	29,103,967	2,332,967
Depreciation	19,100,182	18,586
<b>Total Operating Expenses</b>	<b>313,235,693</b>	<b>11,626,252</b>
<b>Operating Loss</b>	<b>(173,806,048)</b>	<b>(4,244,839)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	122,766,288	-
Federal and State Student Financial Aid	36,914,652	-
Noncapital Grants, Contracts, and Gifts	2,167,747	392,540
Investment Income	1,361,924	73,379
Unrealized Gains on Investments	960,754	-
Other Nonoperating Revenues	142,569	-
Loss on Disposal of Capital Assets	(534,941)	-
Interest on Capital Asset-Related Debt	(1,920,264)	-
Other Nonoperating Expenses	(5,082,425)	(513,626)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>156,776,304</b>	<b>(47,707)</b>
<b>Loss Before Other Revenues</b>	<b>(17,029,744)</b>	<b>(4,292,546)</b>
State Capital Appropriations	26,683,586	-
Capital Grants, Contracts, Donations, and Fees	650,513	1,727,627
<b>Increase (Decrease) in Net Position</b>	<b>10,304,355</b>	<b>(2,564,919)</b>
Net Position, Beginning of Year	420,202,586	125,341,442
Adjustment to Beginning Net Position	3,185,061	91,127
<b>Net Position, Beginning of Year, as Restated</b>	<b>423,387,647</b>	<b>125,432,569</b>
<b>Net Position, End of Year</b>	<b>\$ 433,692,002</b>	<b>\$ 122,867,650</b>

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

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**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2020**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 43,396,254
Grants and Contracts	62,225,749
Sales and Services of Auxiliary Enterprises	29,402,791
Interest on Loans and Notes Receivable	22,104
Payments to Employees	(177,700,649)
Payments to Suppliers for Goods and Services	(70,931,844)
Payments to Students for Scholarships and Fellowships	(29,103,967)
Loans Issued to Students	(521,634)
Collection on Loans to Students	938,143
Other Operating Receipts	5,088,485
	<b>(137,184,568)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	122,766,288
Noncapital grants, Contracts, and Gifts	2,167,747
Federal and State Student Financial Aid	36,914,652
Federal Direct Loan Program Receipts	82,350,979
Federal Direct Loan Program Disbursements	(82,092,137)
Net Change in Funds Held for Others	(6,545,894)
Other Nonoperating Receipts	529,460
	<b>156,091,095</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and Leases	43,183,295
State Capital Appropriations	15,776,162
Capital Grants, Contracts, Donations and Fees	940,061
Other Receipts from Capital Projects	9,975
Purchase or Construction of Capital Assets	(78,249,364)
Principal Paid on Capital Debt and Leases	(2,541,399)
Interest Paid on Capital Debt and Leases	(1,920,264)
	<b>(22,801,534)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	16,640,000
Purchases of Investments	(24,566,754)
Investment Income	1,393,560
	<b>(6,533,194)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(10,428,201)</b>
Cash and Cash Equivalents, Beginning of Year	33,873,075
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 23,444,874</b>



	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (173,806,048)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	19,100,182
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	(1,039,569)
Inventories	(308,405)
Loans and Notes Receivables, Net	416,509
Accounts Payable	(2,181,462)
Salaries and Wages Payable	632,186
Deposits Payable	(2,303)
Compensated Absences Payable	1,410,233
Unearned Revenue	3,640,978
Other Postemployment Benefits Payable	11,497,200
Net Pension Liability	7,601,213
Deferred Outflows of Resources Related to Other Postemployment Benefits	(7,778,272)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(15,263)
Deferred Outflows of Resources Related to Pensions	4,239,705
Deferred Inflows of Resources Related to Pensions	(591,452)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (137,184,568)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND</b>	
<b>CAPITAL FINANCING ACTIVITIES</b>	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 960,754
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.	\$ (534,941)

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **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.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida Agricultural and Mechanical University Foundation, Inc. is authorized to obtain private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence".
- Florida Agricultural and Mechanical University National Alumni Association, Inc. provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- FAMU Rattler Boosters, Inc. (Boosters) provides contributions to the University to stimulate the education, health, and physical welfare of students.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. Additional information on the University's component units, including copies of audit

reports, is available by contacting the University Public Relations or, for the Boosters, by contacting the Athletic Director. Audited financial statements can be obtained from the Vice President for Finance and Administration and Chief Financial Officer, Florida Agricultural and Mechanical University, 1601 South Martin Luther King Jr. Blvd., Tallahassee, Florida 32307. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note. The Florida Agricultural and Mechanical University Research Foundation, Inc. was not operational during the 2019-20 fiscal year, and therefore is not included in the condensed financial statements.

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

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

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

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these

activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease – 10 years
- Work of Art and Historical Treasures – 5 years
- Computer Software – 3 to 7 years

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

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

## **2. Adjustment to Beginning Net Position**

### **University**

The beginning net position of the University was increased by \$3,185,061. During the 2019-20 fiscal year, the University identified an unrecorded third-party receivable transaction of \$3,185,061 from the 2018-19 fiscal year.

### **Component Unit**

The beginning net position of the discretely presented component units was increased by \$91,127 due to the University inclusion of the FAMU Rattler Boosters, Inc. financial statements during the 2019-20 fiscal year.

## **3. Deficit Net Position in Individual Funds**

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (128,793,183)
Auxiliary Funds	30,315,867
<b>Total</b>	<b>\$ (98,477,316)</b>

#### 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 not adopted a written investment policy. As such, pursuant to Section 218.415(17), 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; and direct obligations of the United States Treasury.

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

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

The University's investments at June 30, 2020, are reported as follows:

		<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments by fair value level</b>	<b>Amount</b>			
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 49,885,995	\$ -	\$ -	\$ 49,885,995
Historically Black Colleges and Universities Debt Service Accounts	8,646,889	8,646,889	-	-
Total investments by fair value level	<u>\$ 58,532,884</u>	<u>\$ 8,646,889</u>	<u>\$ -</u>	<u>\$ 49,885,995</u>
<b>Total investments measured at fair value</b>	<u>\$ 58,532,884</u>			

#### External Investment Pools.

The University reported investments at fair value totaling \$49,885,995 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not

registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years, and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

#### **Historically Black Colleges and Universities (HBCU) Debt Service Accounts.**

The University reported investments totaling \$8,646,889 at June 30, 2020, in the HBCU Debt Service Accounts. These investments are used to make debt service payments on capital improvement debt issued by the United States Department of Education for the benefit of the University. The University relies on policies developed by the HBCU for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

#### **Component Unit Investments.**

Investments held by the University's component units, Florida Agricultural and Mechanical University Foundation, Inc., Florida Agricultural and Mechanical University National Alumni Association, Inc., and FAMU Rattler Boosters, Inc. at June 30, 2020, are reported at fair value as follows:

	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)
<b>Investments by fair value level</b>				
U.S. Government Securities	\$ 3,303,556	\$ -	\$ 3,303,556	\$ -
Corporate Bonds	4,652,944	-	4,652,944	-
Common Stocks	20,276,903	20,276,903	-	-
Commingled Funds	66,428,839	-	66,428,839	-
Real Estate Property	1,419,909	-	1,419,909	-
Accrued Interest/Unsettled Transactions	43,630	43,630	-	-
Money Market Funds	2,075,137	2,075,137	-	-
Hedge Funds	4,867,963	-	4,867,963	-
Total investments by fair value level	\$ 103,068,881	\$ 22,395,670	\$ 80,673,211	\$ -
<b>Investments measured at the net asset value (NAV)</b>				
Commingled Funds	13,803,854			
Real Estate Funds	5,155,942			
Limited Partnership	5,245,962			
Total investments measured at NAV	24,205,758			
<b>Total investments measured at fair value</b>	\$ 127,274,639			

## 5. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and interest accrued on investments and loans receivable. As of June 30, 2020, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 25,491,504
Contracts and Grants	4,570,002
Interest Receivable	730,780
Total Accounts Receivable	30,792,286
Allowance for Doubtful Accounts	(13,970,144)
<b>Total Accounts Receivable, Net</b>	<b>\$ 16,822,142</b>

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

**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 \$13,970,144 and \$1,370,580, respectively, at June 30, 2020.

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 \$21,787,166 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

## 7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 25,369,275	\$ -	\$ -	\$ 25,369,275
Works of Art and Historical Treasures	742,634	-	-	742,634
Construction in Progress	26,846,602	76,208,862	5,494,527	97,560,937
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 52,958,511</b>	<b>\$ 76,208,862</b>	<b>\$ 5,494,527</b>	<b>\$ 123,672,846</b>
Depreciable Capital Assets:				
Buildings	\$ 595,558,842	\$ 5,351,793	\$ 1,344,296	\$ 599,566,339
Infrastructure and Other Improvements	92,721,651	142,733	-	92,864,384
Furniture and Equipment	57,425,808	3,765,954	1,454,804	59,736,958
Library Resources	63,873,267	700,762	-	64,574,029
Property Under Capital Leases	1,206,141	-	-	1,206,141
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	133,126	16,750	23,633	126,243
<b>Total Depreciable Capital Assets</b>	<b>810,961,285</b>	<b>9,977,992</b>	<b>2,822,733</b>	<b>818,116,544</b>
Less, Accumulated Depreciation:				
Buildings	174,570,876	11,501,667	1,172,537	184,900,006
Infrastructure and Other Improvements	28,021,589	2,424,726	-	30,446,315
Furniture and Equipment	44,916,015	3,322,697	1,016,803	47,221,909
Library Resources	55,576,723	1,696,956	-	57,273,679
Property Under Capital Leases	938,862	128,021	-	1,066,883
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	30,575	26,115	21,575	35,115
<b>Total Accumulated Depreciation</b>	<b>304,097,090</b>	<b>19,100,182</b>	<b>2,210,915</b>	<b>320,986,357</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 506,864,195</b>	<b>\$ (9,122,190)</b>	<b>\$ 611,818</b>	<b>\$ 497,130,187</b>

## 8. Unearned Revenue

Unearned revenue at June 30, 2020, includes monies drawn in advance of incurring expenses for cost reimbursement contracts and grants, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2020, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 9,660,120
Student Tuition and Fees	837,395
<b>Total Unearned Revenue</b>	<b>\$ 10,497,515</b>

## 9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2020, include capital improvement debt payable, capital lease payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 61,865,083	\$ 43,183,295	\$ 1,480,829	\$ 103,567,549	\$ 4,575,771
Capital Lease Payable	8,635,328	-	1,060,570	7,574,758	841,889
Compensated Absences Payable	20,658,988	2,779,513	1,369,280	22,069,221	1,624,295
Other Postemployment Benefits Payable	58,034,000	25,255,636	13,758,436	69,531,200	899,165
Net Pension Liability	85,624,332	52,635,837	45,034,624	93,225,545	399,599
Other Noncurrent Liabilities	1,509,961	396,866	-	1,906,827	-
<b>Total Long-Term Liabilities</b>	<b>\$ 236,327,692</b>	<b>\$ 124,251,147</b>	<b>\$ 62,703,739</b>	<b>\$ 297,875,100</b>	<b>\$ 8,340,719</b>

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2020:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Student Housing Debt:				
Series A 2019-1 HBCU Bond	\$ 10,049,090	\$ 9,654,373	2.651	2030
Series A 2019-2 HBCU Bond	6,798,534	6,271,617	2.545	2025
Series A 2019-3 HBCU Bond	36,402,142	35,819,750	2.845	2042
Series A 2019-4 HBCU Bond	51,821,809	51,821,809	1.216 to 2.642	2045
<b>Total Capital Improvement Debt</b>	<b>\$ 105,071,575</b>	<b>\$ 103,567,549</b>		

On March 5, 2019, as authorized by the HBCU Capital Financing Program, the University entered into debt agreements through the Florida Board of Governors securing the fixed rate HBCU capital project Series A 2019-4, principal not to exceed \$70,000,000, and interest rates ranging from 1.216 percent to 2.642 percent to finance the cost of designing and constructing a 700-bed student housing facility and dining shell space, and related issuance costs. The University has received debt proceeds totaling \$51,821,809 as of June 30, 2020.

The University has pledged a portion of future housing rental revenues to repay \$103,567,549 in HBCU capital project debt borrowed by the Florida Board of Governors on behalf of the University. Proceeds from the debt provided financing to construct student housing facilities. The debt is payable

solely from housing rental income and is payable through 2045. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$133,469,680 and principal and interest paid for the current year totaled \$3,173,220. During the 2019-20 fiscal year, housing rental income totaled \$14,953,068.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,575,771	\$ 2,350,764	\$ 6,926,535
2022	3,265,796	2,265,318	5,531,114
2023	3,344,965	2,172,763	5,517,728
2024	3,442,738	2,064,495	5,507,233
2025	3,539,865	1,977,278	5,517,143
2026-2030	18,383,142	8,445,284	26,828,426
2031-2035	19,818,366	6,124,094	25,942,460
2036-2040	23,653,676	3,594,055	27,247,731
2041-2045	23,543,230	908,080	24,451,310
<b>Total</b>	<u>\$ 103,567,549</u>	<u>\$ 29,902,131</u>	<u>\$ 133,469,680</u>

**Capital Lease Payable.** In the 2011-12 fiscal year, the University entered into a capital lease agreement totaling \$12,302,562 to finance an energy performance savings contract. The stated interest rate is 2.5946 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,030,262
2022	1,030,259
2023	1,030,259
2024	1,030,259
2025	1,030,259
2026-2029	<u>3,348,349</u>
<b>Total Minimum Payments</b>	8,499,647
Less, Amount Representing Interest	<u>924,889</u>
<b>Present Value of Minimum Payments</b>	<u>\$ 7,574,758</u>

**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, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and

FICA contributions, totaled \$22,069,221. The current portion of the compensated absences liability, \$1,624,295, 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.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

### ***General Information about the OPEB Plan***

***Plan Description.*** The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

***Benefits Provided.*** The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

### ***Proportionate Share of the Total OPEB Liability***

The University's proportionate share of the total OPEB liability of \$69,531,200 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2020, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.55 percent, which was equal to its proportionate share measured as of June 30, 2019.

***Actuarial Assumptions and Other Inputs.*** The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	Varies by FRS Class
Discount rate	2.79 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	6.7 percent for 2020, decreasing to an ultimate rate of 5.2 percent for 2072 and later years
Health Maintenance Organization Plan	5.2 percent for 2020, increasing to an ultimate rate of 5.3 percent for 2072 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal 20-year High Grade Rate Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2019, valuation were based on a review of recent plan experience done concurrently with the July 1, 2019, valuation.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2019.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 2.79 percent. The prior GASB Statement No. 75 report used 3.87 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 30, 2019.
- In addition, the liability was increased by approximately 12 percent to reflect the full impact of the Excise Tax that will come into effect in 2022. There is a reasonable chance that this tax will be repealed before it actually takes effect.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2019 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- The mortality rates were updated to those required by Chapter 2015-157, Laws of Florida, for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the FRS. The rates are those outlined in Milliman's July 1, 2018, FRS valuation report. The impact of this change was very small and does not materially impact the results.

*Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using

a discount rate that is 1 percentage point lower (1.79 percent) or 1 percentage point higher (3.79 percent) than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
University's proportionate share of the total OPEB liability	\$84,486,889	\$69,531,200	\$57,923,345

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$56,517,523	\$69,531,200	\$87,128,755

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

For the fiscal year ended June 30, 2020, the University recognized OPEB expense of \$4,016,482. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,790,126
Change of assumptions or other inputs	8,717,913	9,832,511
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	673,522	51,100
Transactions subsequent to the measurement date	920,837	-
<b>Total</b>	<u>\$ 10,312,272</u>	<u>\$ 11,673,737</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$920,837 resulting from benefit payments and administrative expense subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ (718,758)
2022	(718,758)
2023	(718,758)
2024	(718,758)
2025	(718,758)
Thereafter	1,311,488
<b>Total</b>	<b>\$ (2,282,302)</b>

**Other Noncurrent Liabilities.** Other noncurrent liabilities represent the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$1,906,827 at June 30, 2020.

**Net Pension Liability.** As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the University's proportionate share of the net pension liabilities totaled \$93,225,545. Note 10. includes a complete discussion of defined benefit pension plans.

## **10. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS).**

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

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

The University's FRS and HIS pension expense totaled \$18,975,193 for the fiscal year ended June 30, 2020.

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

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

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



survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Class</b>	3.00

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

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$6,503,846 for the fiscal year ended June 30, 2020.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the University reported a liability of \$69,674,197 for

its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.202314209 percent, which was a decrease of 0.0069673 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$17,323,127. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,132,576	\$ 43,239
Change of assumptions	17,895,332	-
Net difference between projected and actual earnings on FRS Plan investments	-	3,854,740
Changes in proportion and differences between University contributions and proportionate share of contributions	215,492	1,837,922
University FRS contributions subsequent to the measurement date	6,503,846	-
<b>Total</b>	<b>\$ 28,747,246</b>	<b>\$ 5,735,901</b>

The deferred outflows of resources totaling \$6,503,846, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 6,337,524
2022	1,547,798
2023	4,442,049
2024	3,339,540
2025	696,527
Thereafter	144,061
<b>Total</b>	<b>\$ 16,507,499</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2019, 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	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.7%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

**Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
University's proportionate share of the net pension liability	\$120,443,485	\$69,674,197	\$27,273,254

*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.

### **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. 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, 2020, 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, 2020, 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 \$1,221,881 for the fiscal year ended June 30, 2020.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the University reported a liability of \$23,551,348 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's

proportionate share was 0.210486624 percent, which was a decrease of 0.002924331 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of \$1,652,066. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 286,057	\$ 28,838
Change of assumptions	2,727,025	1,924,896
Net difference between projected and actual earnings on HIS Plan investments	15,197	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	83,765	1,046,928
University HIS contributions subsequent to the measurement date	1,221,881	-
<b>Total</b>	<b>\$ 4,333,925</b>	<b>\$ 3,000,662</b>

The deferred outflows of resources totaling \$1,221,881, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 303,684
2022	180,421
2023	3,221
2024	(350,611)
2025	(124,502)
Thereafter	99,169
<b>Total</b>	<b>\$ 111,382</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2018, 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	3.50 percent

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.50 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 in the 2019 valuation was updated from 3.87 percent to 3.50 percent.

*Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
University’s proportionate share of the net pension liability	\$26,885,070	\$23,551,348	\$20,774,733

*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.

**11. Retirement Plans – Defined Contribution Pension Plans**

**FRS Investment Plan.** The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s 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 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
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, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$1,017,632 for the fiscal year ended June 30, 2020.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.71 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 \$3,971,686, and employee contributions totaled \$2,418,757 for the 2019-20 fiscal year.

## 12. Construction Commitments

The University's construction commitments at June 30, 2020, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Center for Academic and Student Success Student Housing - 700 Bed Facility	\$ 37,133,973	\$ 25,508,234	\$ 11,625,739
Towers Living Learning Center	65,645,766	59,506,559	6,139,207
Developmental Research School	1,740,600	1,657,495	83,105
Amphitheatre	3,570,587	3,570,587	-
Gibbs Hall Renovation	2,145,142	2,145,142	-
Campus Closed Circuit Television Security System	2,632,425	2,632,425	-
Campus Fencing	558,123	558,123	-
Viticulture Renovation	367,934	174,288	193,646
Maintenance and Renovations	2,814,276	1,808,084	1,006,192
<b>Total</b>	<b>\$ 116,608,826</b>	<b>\$ 97,560,937</b>	<b>\$ 19,047,889</b>

## 13. Operating Lease Commitments

The University leased building space under operating leases, which expire in 2023. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 345,107
2022	227,471
2023	101,952
<b>Total Minimum Payments Required</b>	<b>\$ 674,530</b>

## 14. 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 2019-20 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 \$68.5 million for named windstorm and flood through February 14, 2020, and decreased to \$62.75 million starting



February 15, 2020. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 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.

## **15. 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.

## **16. Functional Distribution of Operating Expenses**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 92,593,592
Research	22,736,758
Public Services	556,097
Academic Support	45,458,763
Student Services	7,858,360
Institutional Support	41,139,049
Operation and Maintenance of Plant	20,815,497
Scholarships, Fellowships, and Waivers	29,103,967
Depreciation	19,100,182
Auxiliary Enterprises	33,873,428
<b>Total Operating Expenses</b>	<b><u><u>\$ 313,235,693</u></u></b>

## 17. 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 Housing facilities represents identifiable activities for which one or more bonds are outstanding:

### Condensed Statement of Net Position

	<u>Housing Facility</u>
<b>Assets</b>	
Current Assets	\$ 16,426,268
Capital Assets, Net	126,311,481
<b>Total Assets</b>	<b><u>142,737,749</u></b>
<b>Liabilities</b>	
Current Liabilities	14,050,418
Noncurrent Liabilities	99,235,769
<b>Total Liabilities</b>	<b><u>113,286,187</u></b>
<b>Net Position</b>	
Net Investment in Capital Assets	15,561,143
Restricted - Expendable	4,838,599
Unrestricted	9,051,820
<b>Total Net Position</b>	<b><u><u>\$ 29,451,562</u></u></b>

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

	<b>Housing Facility</b>
Operating Revenues	\$ 14,953,068
Depreciation Expense	(1,807,234)
Other Operating Expenses	(10,488,880)
<b>Operating Income</b>	<b>2,656,954</b>
Nonoperating Expenses:	
Nonoperating Expense	(625,682)
Interest Expense	(1,692,391)
Other Nonoperating Expense	(557,955)
<b>Total Nonoperating Expenses</b>	<b>(2,876,028)</b>
<b>Decrease in Net Position</b>	<b>(219,074)</b>
Net Position, Beginning of Year	29,670,636
<b>Net Position, End of Year</b>	<b>\$ 29,451,562</b>

**Condensed Statement of Cash Flows**

	<b>Housing Facility</b>
Net Cash Provided (Used) by:	
Operating Activities	\$ 5,280,926
Noncapital Financing Activities	1,584,088
Capital and Related Financing Activities	(8,766,327)
Investing Activities	(4,262,579)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(6,163,892)</b>
Cash and Cash Equivalents, Beginning of Year	6,163,892
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>

**18. Discretely Presented Component Units**

The University has three 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			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	FAMU Rattler Boosters, Inc.	
<b>Assets:</b>				
Current Assets	\$ 2,814,688	\$ 153,084	\$ 17,047	\$ 2,984,819
Capital Assets, Net	185,285	-	-	185,285
Other Noncurrent Assets	123,533,643	2,222,807	101,593	125,858,043
<b>Total Assets</b>	<b>126,533,616</b>	<b>2,375,891</b>	<b>118,640</b>	<b>129,028,147</b>
<b>Liabilities:</b>				
Current Liabilities	4,390,455	27,756	-	4,418,211
Noncurrent Liabilities	1,742,286	-	-	1,742,286
<b>Total Liabilities</b>	<b>6,132,741</b>	<b>27,756</b>	<b>-</b>	<b>6,160,497</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	185,286	-	-	185,286
Restricted Nonexpendable	88,109,737	1,711,232	101,383	89,922,352
Restricted Expendable	30,830,024	167,926	-	30,997,950
Unrestricted	1,275,828	468,977	17,257	1,762,062
<b>Total Net Position</b>	<b>\$ 120,400,875</b>	<b>\$ 2,348,135</b>	<b>\$ 118,640</b>	<b>\$ 122,867,650</b>

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

	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	FAMU Rattler Boosters, Inc.	
Operating Revenues	\$ 6,854,787	\$ 429,450	\$ 97,176	\$ 7,381,413
Operating Expenses	(11,336,881)	(225,804)	(63,567)	(11,626,252)
<b>Operating Income (Loss)</b>	<b>(4,482,094)</b>	<b>203,646</b>	<b>33,609</b>	<b>(4,244,839)</b>
Nonoperating Expenses	-	(41,611)	(6,096)	(47,707)
Other Revenues	1,727,627	-	-	1,727,627
<b>Increase (Decrease) in Net Position</b>	<b>(2,754,467)</b>	<b>162,035</b>	<b>27,513</b>	<b>(2,564,919)</b>
Net Position, Beginning of Year	123,155,342	2,186,100	91,127	125,432,569
<b>Net Position, End of Year</b>	<b>\$ 120,400,875</b>	<b>\$ 2,348,135</b>	<b>\$ 118,640</b>	<b>\$ 122,867,650</b>

## **19. Joint Ventures and Jointly Governed Organizations**

The University's Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of the FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise, and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According to a report issued by an independent certified public accounting firm, the University received distributions of \$499,214 and retained ticket sales of \$535,031 for a total distribution of \$1,034,245 from the proceeds of the Florida Classic football game held on November 23, 2019.

## **20. Subsequent Events**

The University received notification from The Secretary of the United States Department of Education acknowledging that, pursuant to The Consolidated Appropriations Act, 2021 (Public Law 116-260), the Secretary has repaid in full each institution of higher education's balance of principal and interest on all disbursed loan amounts outstanding in full as of December 27, 2020 (the "Forgivenesses"). The University is anticipating a loan forgiveness amount for the \$103,567,549 debt at June 30, 2020, in addition to \$14,600,813 debt acquired subsequent to June 30, 2020, for an approximate total of \$118,168,362 before the close of the 2020-21 fiscal year.

## ***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
University's proportion of the total other postemployment benefits liability	0.55%	0.55%	0.55%
University's proportionate share of the total other postemployment benefits liability	\$ 69,531,200	\$ 58,034,000	\$ 59,972,000
University's covered-employee payroll	\$ 114,039,416	\$ 113,789,082	\$ 112,860,919
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	60.97%	51.00%	53.14%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the FRS net pension liability	0.202314209%	0.209281509%	0.210759036%	0.212314988%
University's proportionate share of the FRS net pension liability	\$ 69,674,197	\$ 63,036,676	\$ 62,341,109	\$ 53,609,701
University's covered payroll (2)	\$ 114,039,416	\$ 113,789,082	\$ 112,860,919	\$ 111,280,144
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.10%	55.40%	55.24%	48.18%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

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

**Schedule of University Contributions – Florida Retirement System Pension Plan**

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 6,503,846	\$ 6,273,200	\$ 5,964,355	\$ 5,486,577
FRS contributions in relation to the contractually required contribution	<u>(6,503,846)</u>	<u>(6,273,200)</u>	<u>(5,964,355)</u>	<u>(5,486,577)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 116,309,686	\$ 114,039,416	\$ 113,789,082	\$ 112,860,919
FRS contributions as a percentage of covered payroll	5.59%	5.50%	5.24%	4.86%

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

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



<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.218226097%	0.219223139%	0.192935113%
\$ 28,186,827	\$ 13,375,835	\$ 33,212,720
\$ 109,391,428	\$ 106,068,813	\$ 103,898,906
25.77%	12.61%	31.97%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 5,177,640	\$ 5,320,538	\$ 4,801,917
<u>(5,177,640)</u>	<u>(5,320,538)</u>	<u>(4,801,917)</u>
\$ -	\$ -	\$ -
\$ 111,280,144	\$ 109,391,428	\$ 106,068,813
4.65%	4.86%	4.53%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the HIS net pension liability	0.210486624%	0.213410955%	0.220156699%	0.225242384%
University's proportionate share of the HIS net pension liability	\$ 23,551,348	\$ 22,587,656	\$ 23,540,170	\$ 26,251,067
University's covered payroll (2)	\$ 68,850,145	\$ 68,588,401	\$ 68,546,066	\$ 69,785,144
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.21%	32.93%	34.34%	37.62%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

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

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

**Schedule of University Contributions – Health Insurance Subsidy Pension Plan**

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required HIS contribution	\$ 1,221,881	\$ 1,168,812	\$ 1,157,333	\$ 1,165,133
HIS contributions in relation to the contractually required HIS contribution	<u>(1,221,881)</u>	<u>(1,168,812)</u>	<u>(1,157,333)</u>	<u>(1,165,133)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 70,655,308	\$ 68,850,145	\$ 68,588,401	\$ 68,546,066
HIS contributions as a percentage of covered payroll	1.73%	1.70%	1.69%	1.70%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.224601105%	0.224264902%	0.220974771%
\$ 22,905,780	\$ 20,969,316	\$ 19,238,759
\$ 66,541,722	\$ 65,648,265	\$ 62,952,635
34.42%	31.94%	30.56%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,154,511	\$ 858,565	\$ 768,256
<u>(1,154,511)</u>	<u>(858,565)</u>	<u>(768,256)</u>
\$ -	\$ -	\$ -
\$ 69,785,444	\$ 66,541,722	\$ 65,648,265
1.65%	1.29%	1.17%

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

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

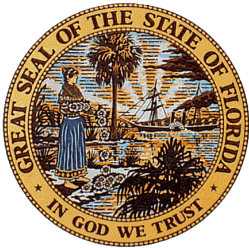
*Changes of Assumptions.* In 2020, amounts reported as changes of assumptions resulted from changes to the census data, a change to the discount rate, the Excise Tax that will come into effect in 2022, the use of actual claims information, an update in the trend rate, and an update to the mortality rate. Refer to Note 9. to the financial statement for further detail.

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was updated.

**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 3.87 percent to 3.50 percent.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Agricultural and Mechanical University, 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, 2020, 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 29, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 29, 2021

***PRIOR AUDIT FOLLOW-UP***

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The University had taken corrective actions for the finding included in our report No. 2020-150.