

Report No. 2019-105  
January 2019

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA AGRICULTURAL AND  
MECHANICAL UNIVERSITY**

For the Fiscal Year Ended  
June 30, 2018



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2017-18 fiscal year, Dr. Larry Robinson served as Interim President of the Florida Agricultural and Mechanical University through 11-29-17, and President from 11-30-17, and the following individuals served as Members of the Board of Trustees:

Kelvin L. Lawson, Chair	David H. Jackson III from 5-5-18 <sup>a</sup>
Kimberly Ann Moore, Vice Chair	David Lawrence Jr.
Justin Bruno through 11-30-17 <sup>a</sup>	Major General Gary T. McCoy (Ret.) <sup>c</sup>
Dr. Matthew M. Carter II	Harold Mills
Thomas W. Dortch Jr.	Belvin Perry Jr.
Dr. Bettye A. Grable <sup>b</sup>	Craig Reed
Devin Harrison from 12-1-17, through 5-4-18 <sup>a</sup>	Nicole Washington
	Robert L. Woody

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

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

<sup>c</sup> Member resigned 8-1-17, and Trustee position was vacant through 6-30-18.

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 Maria G. Loar, CPA, and the audit was supervised by Edward A. Waller, 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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**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; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2018. 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

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of 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 January 16, 2019, 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 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  
January 16, 2019

## **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, 2018, 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, 2018, and June 30, 2017.

### **FINANCIAL HIGHLIGHTS**

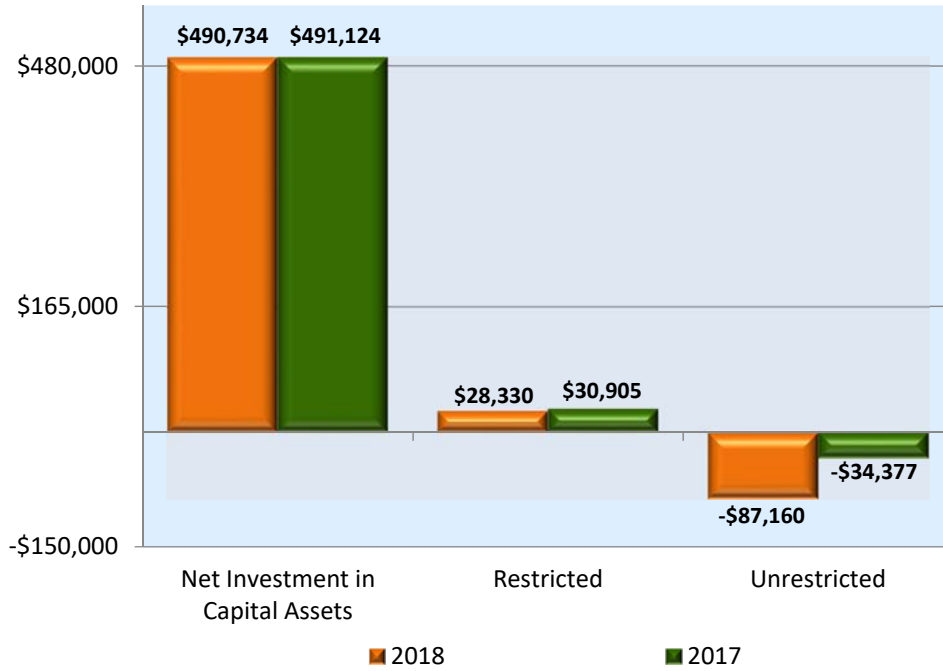
The University's assets and deferred outflows of resources totaled \$702.9 million at June 30, 2018. This balance reflects a \$2.6 million, or 0.4 percent, decrease as compared to the 2016-17 fiscal year, resulting from decreases in net capital assets of \$5.5 million, current assets of \$3 million, and other non-current assets of \$1 million; offset by an increase in deferred outflows of resources of \$6.9 million. While assets and deferred outflows of resources decreased, liabilities and deferred inflows of resources increased by \$53.1 million, or 24.4 percent, totaling \$271 million at June 30, 2018, resulting from increases in current liabilities of \$3.8 million, non-current liabilities of \$37 million, and deferred inflows of resources of \$12.3 million. As a result, the University's net position decreased by \$55.7 million, resulting in a year-end balance of \$431.9 million. The increases in deferred outflows and inflows of resources, and the decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The initial adoption of GASB Statement No. 75 also resulted in an adjustment to beginning net position of \$41.3 million.

The University's operating revenues totaled \$124.5 million for the 2017-18 fiscal year, representing a 2.7 percent increase compared to the 2016-17 fiscal year due mainly to increases in net student tuition and fee revenue of \$1.6 million and grants and contracts of \$1.3 million. Operating expenses totaled \$286.8 million for the 2017-18 fiscal year, representing an increase of 3.6 percent as compared to the 2016-17 fiscal year.

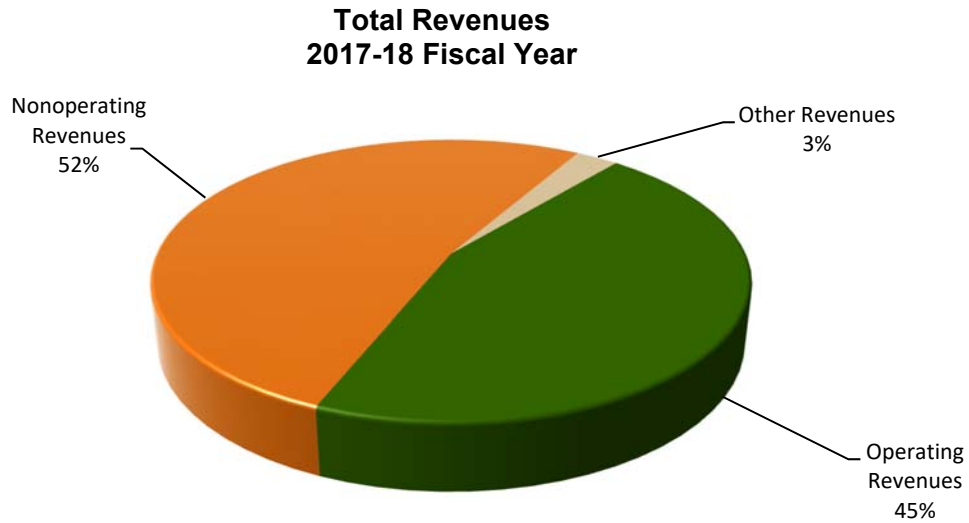
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:



**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:



**OVERVIEW OF FINANCIAL STATEMENTS**

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

University Foundation, Inc. (Foundation) and the Florida Agricultural and Mechanical University National Alumni Association, Inc. (Alumni Association). Based on the application of the criteria for determining component units, the Foundation and Alumni Association 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.

### **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)

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets	\$ 92,191	\$ 95,230
Capital Assets, Net	556,818	562,295
Other Noncurrent Assets	12,312	13,277
	<b>Total Assets</b>	<b>670,802</b>
	<b>Deferred Outflows of Resources</b>	<b>34,699</b>
	<b>Liabilities</b>	
Current Liabilities	30,496	26,669
Noncurrent Liabilities	226,826	189,812
	<b>Total Liabilities</b>	<b>216,481</b>
	<b>Deferred Inflows of Resources</b>	<b>1,368</b>
	<b>Net Position</b>	
Net Investment in Capital Assets	490,734	491,124
Restricted	28,330	30,905
Unrestricted	(87,160)	(34,377)
	<b>Total Net Position</b>	<b>\$ 487,652</b>

Total assets decreased by \$9.5 million, total liabilities increased by \$40.8 million, and total net position decreased by \$55.7 million. The decrease in current assets of \$3 million is primarily due to a decrease in the amount due from the State of Florida for authorized construction projects, a decrease in the amount

due for scholarship support from the Foundation, and a decrease in net student accounts receivable. The decrease in net capital assets is due primarily to an increase in accumulated depreciation. Deferred outflows of resources of \$41.6 million primarily consist of deferred amounts related to pensions and other postemployment benefits. The increase in total liabilities is due to an increase in noncurrent liabilities of \$37 million, and an increase in current liabilities of \$3.8 million. The increase in noncurrent liabilities is due primarily increases in net pension liability and other postemployment benefit liabilities. The increase in current liabilities is due primarily to increases in deposits payable for student financial aid, accounts payable, and current amounts due for other postemployment benefits. Deferred inflows of resources of \$13.7 million consists of the deferred amounts related to pensions and other postemployment benefits.

### **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 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	<b>2017-18</b>	<b>2016-17</b>
Operating Revenues	\$ 124,519	\$ 121,256
Less, Operating Expenses	286,769	276,716
<b>Operating Loss</b>	(162,250)	(155,460)
Net Nonoperating Revenues	140,237	141,178
<b>Loss Before Other Revenues</b>	(22,013)	(14,282)
Other Revenues	7,568	12,125
<b>Net Decrease In Net Position</b>	(14,445)	(2,157)
Net Position, Beginning of Year	487,652	489,809
Adjustment to Beginning Net Position (1)	(41,303)	-
<b>Net Position, Beginning of Year, as Restated</b>	446,349	489,809
<b>Net Position, End of Year</b>	\$ 431,904	\$ 487,652

(1) As discussed in Notes 2. and 3. to the financial statements, the University's beginning net position for the 2017-18 fiscal year was decreased in conjunction with the implementation of GASB Statement No. 75.

### **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.

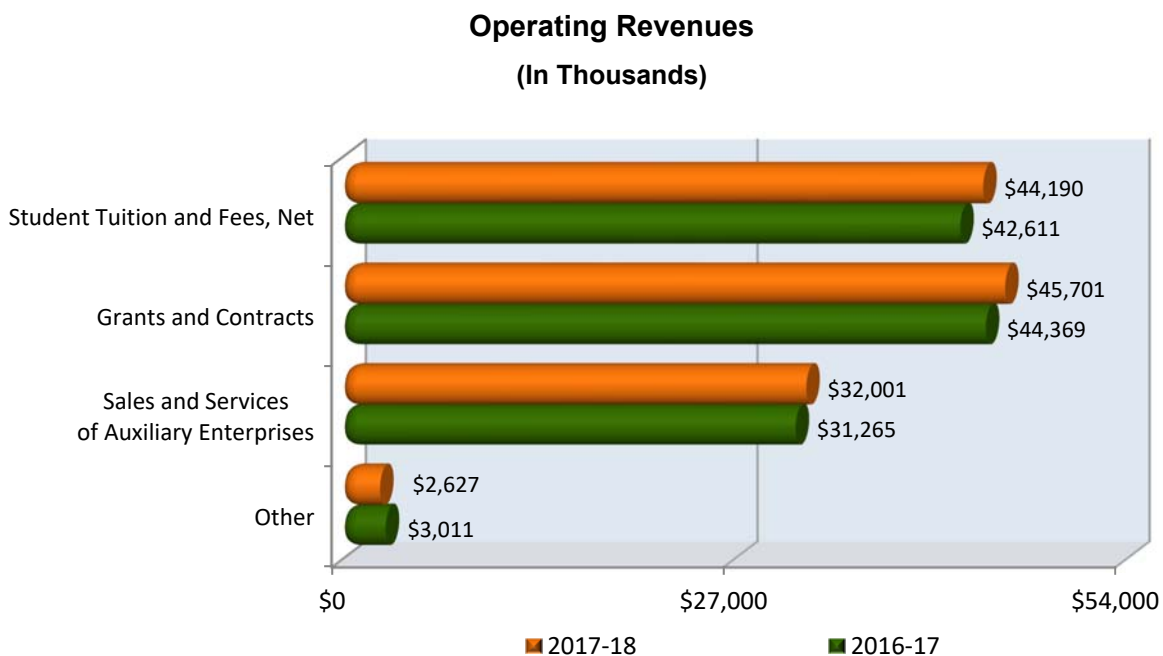
The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

## Operating Revenues For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	\$ 44,190	\$ 42,611
Grants and Contracts	45,701	44,369
Sales and Services of Auxiliary Enterprises	32,001	31,265
Other	2,627	3,011
<b>Total Operating Revenues</b>	<b>\$ 124,519</b>	<b>\$ 121,256</b>

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:



University operating revenue increased \$3.3 million, or 2.7 percent as a result of the following factors:

The net student tuition and fees of \$44.2 million was the result of \$80.1 million in gross tuition and fees offset by scholarship allowances of \$35.9 million. Scholarship allowances represent the difference between the stated charges of goods and services provided by the University, and the amount that is actually paid by the student or third party making payment on behalf of the student. Net student tuition and fees increased by \$1.6 million, or 3.7 percent, as compared to the 2016-17 fiscal year.

Sales and services of auxiliary enterprises of \$32 million increased \$0.7 million primarily due to increases in housing revenues partially offset by decreases in athletic revenues, and student health clinic and insurance charges.

Grants and contracts revenue of \$45.7 million increased by \$1.3 million due to increases in Federal and nongovernmental grant and contract funding.

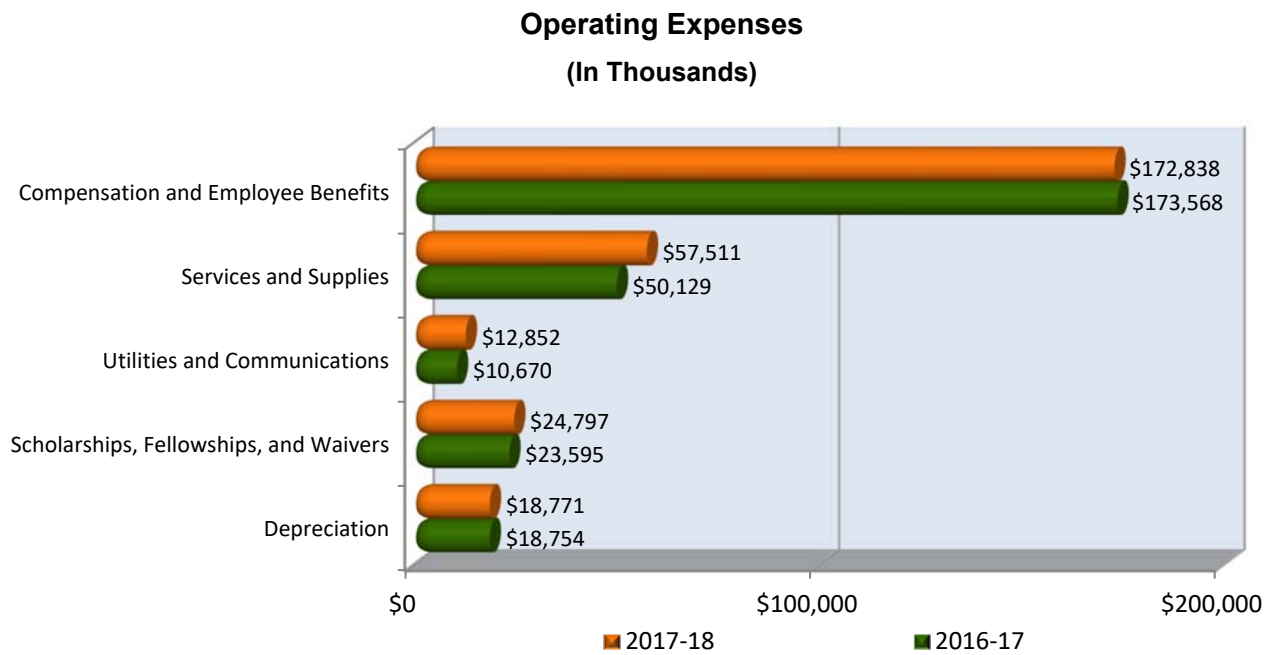
**Operating Expenses**

Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements. The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

**Operating Expenses  
For the Fiscal Years**  
(In Thousands)

	<b>2017-18</b>	<b>2016-17</b>
Compensation and Employee Benefits	\$ 172,838	\$ 173,568
Services and Supplies	57,511	50,129
Utilities and Communications	12,852	10,670
Scholarships, Fellowships, and Waivers	24,797	23,595
Depreciation	18,771	18,754
<b>Total Operating Expenses</b>	<b>\$ 286,769</b>	<b>\$ 276,716</b>

The following chart presents the University’s operating expenses for the 2017-18 and 2016-17 fiscal years:



Total operating expense increased by 3.6 percent, primarily as a result of increased services and supplies. The \$7.4 million increase to services and supplies was due primarily to increases in consulting services, repairs and maintenance expense, and expense for uncollectible accounts receivable.

## **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 2017-18 and 2016-17 fiscal years:

### **Nonoperating Revenues (Expenses) For the Fiscal Years**

(In Thousands)

	<u>2017-18</u>	<u>2016-17</u>
State Noncapital Appropriations	\$ 103,220	\$ 108,917
Federal and State Student Financial Aid	33,945	26,414
Noncapital Grants, Contracts, and Gifts	5,357	10,172
Investment Income	713	521
Unrealized Losses on Investments	(273)	(920)
Loss on Disposal of Capital Assets	(1,046)	(40)
Interest on Capital Asset-Related Debt	(2,731)	(2,938)
Other Nonoperating Revenues (Expenses)	1,052	(948)
<b>Net Nonoperating Revenues</b>	<u>\$ 140,237</u>	<u>\$ 141,178</u>

Net nonoperating revenues decreased by \$0.9 million, or 0.7 percent, as compared to the 2016-17 fiscal year primarily due to the following factors:

State noncapital appropriations decreased by \$5.7 million primarily due to the lack of performance funding allocation for the 2017-18 fiscal year. Noncapital grants, contracts, and gifts also decreased \$4.8 million due to a decrease in scholarship support from the Foundation. The increase in Federal and State Student Financial Aid is due primarily to an increase in Pell Grant revenue and State grant revenue. Loss on disposal of capital assets increased by \$1 million due to the transfer of FAMU/FSU College of Engineering assets to Florida State University. Other nonoperating revenues increased by \$2 million due to a Housing deferred revenue correction.

## **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 2017-18 and 2016-17 fiscal years:

### **Other Revenues For the Fiscal Years**

(In Thousands)

	<u>2017-18</u>	<u>2016-17</u>
State Capital Appropriations	\$ 7,369	\$ 11,699
Capital Grants, Contracts, Donations, and Fees	199	426
<b>Total</b>	<u>\$ 7,568</u>	<u>\$ 12,125</u>

Other revenues totaled \$7.6 million for the 2017-18 fiscal year, representing a decrease of \$4.6 million primarily due to decreases in capital donations and State capital appropriations.

**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 2017-18 and 2016-17 fiscal years:

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

	<b>2017-18</b>	<b>2016-17</b>
Cash Provided (Used) by:		
Operating Activities	\$ (129,543)	\$ (130,893)
Noncapital Financing Activities	143,629	147,661
Capital and Related Financing Activities	(13,018)	(14,073)
Investing Activities	(6,409)	9,805
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(5,341)	12,500
Cash and Cash Equivalents, Beginning of Year	23,141	10,641
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 17,800</b>	<b>\$ 23,141</b>

Major sources of funds came from State noncapital appropriations (\$103.2 million), Federal Direct Student Loan receipts (\$90.3 million), net student tuition and fees (\$44.3 million), grants and contracts (\$47 million), sales and services of auxiliary enterprises (\$30.3 million), and Federal and State student financial aid (\$33.9 million). Major uses of funds were for payments made to and on behalf of employees totaling \$165.1 million; disbursements to students for Federal Direct Student Loans totaling \$90.6 million; payments to suppliers totaling \$69.2 million; purchase or construction of capital assets totaling \$14 million; and payments to and on behalf of students for scholarships totaling \$24.8 million.

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

**Capital Assets**

At June 30, 2018, the University had \$852.8 million in capital assets, less accumulated depreciation of \$296 million, for net capital assets of \$556.8 million. Depreciation charges for the current fiscal year totaled \$18.8 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>2018</u>	<u>2017</u>
Land	\$ 25,369	\$ 25,369
Works of Art and Historical Treasures	743	722
Construction in Progress	12,326	26,883
Buildings	431,310	422,445
Infrastructure and Other Improvements	66,716	63,947
Furniture and Equipment	10,572	11,792
Library Resources	9,256	10,404
Property Under Capital Leases	509	717
Computer Software and Other Capital Assets	17	16
<b>Capital Assets, Net</b>	<u>\$556,818</u>	<u>\$562,295</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, 2018, were incurred on the following projects: Center for Academic and Student Success, Student Service Center – Dining Hall, and maintenance and renovation projects. The University's construction commitments at June 30, 2018, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 13,236
Completed to Date	(12,327)
<b>Balance Committed</b>	<u>\$ 909</u>

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

### Debt Administration

As of June 30, 2018, the University had \$66.2 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of \$5.1 million, or 7.2 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

## Long-Term Debt at June 30

(In Thousands)

	<u>2018</u>	<u>2017</u>
Capital Improvement Debt	\$ 56,129	\$ 59,863
Capital Leases	10,041	11,406
<b>Total</b>	<u>\$ 66,170</u>	<u>\$ 71,269</u>



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

### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's major source of revenue continues to be State noncapital appropriations. Therefore, the economic condition of the University is closely tied to that of the State of Florida. The Florida Legislature increased its appropriation to the State University System by \$146.3 million, or 3 percent, for fiscal year 2018-19. 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 operational support.

For fiscal year 2018-19 capital appropriations, the University received an additional \$2.3 million for minor renovations, and \$1.2 million for Student Union renovations.

Enrollment is an important factor in the outcome of the University's financial condition. Enrollment for Fall 2018 has increased 1.1 percent compared to the previous year. The University projects continued enrollment growth of 4.9 percent through the 2021-22 fiscal year. The University has placed a strategic emphasis on student success by restructuring academic advisement while increasing intensive academic support in all academic disciplines and enhancing student support services to ensure that students are retained and progress more rapidly towards graduation. The University will also continue its focus on strengthening academic programs and administrative units through expanded utilization of data analytics and performance management.

Overall, the national economic climate and the State's priorities will continue to shape appropriations to higher education. 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. Wanda Ford, 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.

# BASIC FINANCIAL STATEMENTS

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

June 30, 2018

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 16,005,125	\$ 1,783,909
Investments	38,309,002	-
Accounts Receivable, Net	15,745,519	7,161,400
Loans and Notes Receivable, Net	28,757	-
Due from State	18,495,602	-
Due from Component Units	3,080,514	-
Inventories	527,109	-
Other Current Assets	-	509,726
<b>Total Current Assets</b>	<b>92,191,628</b>	<b>9,455,035</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,794,742	-
Restricted Investments	8,703,698	125,528,985
Loans and Notes Receivable, Net	1,813,558	-
Depreciable Capital Assets, Net	518,379,598	127,911
Nondepreciable Capital Assets	38,438,322	27,000
<b>Total Noncurrent Assets</b>	<b>569,129,918</b>	<b>125,683,896</b>
<b>Total Assets</b>	<b>661,321,546</b>	<b>135,138,931</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	2,530,000	-
Pensions	38,956,696	-
Deferred Amount on Debt Refunding	85,652	-
<b>Total Deferred Outflows of Resources</b>	<b>41,572,348</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	8,571,417	1,726,986
Construction Contracts Payable	937,526	-
Salary and Wages Payable	3,795,962	-
Deposits Payable	1,972,180	-
Due to State	93,429	-
Due to University	-	3,080,514
Unearned Revenue	6,574,979	-
Other Current Liabilities	-	2,427,138
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	3,427,000	-
Capital Leases Payable	1,368,558	-
Compensated Absences Payable	1,568,697	-
Other Postemployment Benefits Payable	1,524,000	-
Net Pension Liability	661,987	-
<b>Total Current Liabilities</b>	<b>30,495,735</b>	<b>7,234,638</b>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**

June 30, 2018

	University	Component Units
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	52,701,929	-
Capital Leases Payable	8,672,547	-
Compensated Absences Payable	19,890,906	-
Other Postemployment Benefits Payable	58,448,000	-
Net Pension Liability	85,219,292	-
Other Noncurrent Liabilities	1,893,575	-
<b>Total Noncurrent Liabilities</b>	226,826,249	-
<b>Total Liabilities</b>	257,321,984	7,234,638
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	8,404,000	-
Pensions	5,263,436	-
<b>Total Deferred Inflows of Resources</b>	13,667,436	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	490,733,538	154,911
Restricted for Nonexpendable:		
Endowment	-	87,517,056
Restricted for Expendable:		
Debt Service	4,716,487	-
Loans	1,332,966	-
Capital Projects	22,281,391	-
Other	-	37,952,068
Unrestricted	(87,159,908)	2,280,258
<b>TOTAL NET POSITION</b>	\$ 431,904,474	\$ 127,904,293

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, 2018**

	<b>University</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$35,918,357	\$ 44,190,324	\$ -
Federal Grants and Contracts	37,672,853	-
State and Local Grants and Contracts	6,217,432	-
Nongovernmental Grants and Contracts	1,810,291	-
Sales and Services of Auxiliary Enterprises (\$16,219,284 Pledged for Housing Capital Improvement Debt)	32,000,774	-
Other Operating Revenues	2,627,265	12,292,907
<b>Total Operating Revenues</b>	124,518,939	12,292,907
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	172,838,242	1,899,826
Services and Supplies	57,511,042	14,041,727
Utilities and Communications	12,851,990	48,497
Scholarships, Fellowships, and Waivers	24,796,634	-
Depreciation	18,771,188	18,403
<b>Total Operating Expenses</b>	286,769,096	16,008,453
<b>Operating Loss</b>	(162,250,157)	(3,715,546)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	103,219,776	-
Federal and State Student Financial Aid	33,945,323	-
Noncapital Grants, Contracts, and Gifts	5,357,122	-
Investment Income	712,663	1,626,569
Other Nonoperating Revenues	1,052,319	-
Unrealized Gains (Losses) on Investments	(273,139)	6,879,278
Loss on Disposal of Capital Assets	(1,045,482)	-
Interest on Capital Asset-Related Debt	(2,731,124)	-
<b>Net Nonoperating Revenues</b>	140,237,458	8,505,847
<b>Income (Loss) Before Other Revenues</b>	(22,012,699)	4,790,301
State Capital Appropriations	7,369,383	-
Capital Grants, Contracts, Donations, and Fees	198,795	-
<b>Increase (Decrease) in Net Position</b>	(14,444,521)	4,790,301
Net Position, Beginning of Year	487,651,995	123,113,992
Adjustment to Beginning Net Position	(41,303,000)	-
<b>Net Position, Beginning of Year, as Restated</b>	446,348,995	123,113,992
<b>Net Position, End of Year</b>	\$ 431,904,474	\$ 127,904,293

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, 2018**

	<u>University</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 44,333,950
Grants and Contracts	46,984,320
Sales and Services of Auxiliary Enterprises, Net	30,321,283
Interest on Loans and Notes Receivable	76,827
Payments to Employees	(165,127,285)
Payments to Suppliers for Goods and Services	(69,200,110)
Payments to Students for Scholarships and Fellowships	(24,796,634)
Loans Issued to Students	(117,749)
Collection on Loans to Students	524,771
Other Operating Receipts	7,457,758
	<u>(129,542,869)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	103,219,776
Noncapital Grants, Contracts, and Gifts	5,357,122
Federal and State Student Financial Aid	33,945,323
Federal Direct Loan Program Receipts	90,348,591
Federal Direct Loan Program Disbursements	(90,602,534)
Net Change in Funds Held for Others	352,472
Other Nonoperating Receipts	1,008,143
	<u>143,628,893</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	8,874,277
Purchase or Construction of Capital Assets	(14,030,867)
Principal Paid on Capital Debt and Leases	(4,882,342)
Interest Paid on Capital Debt and Leases	(2,979,062)
	<u>(13,017,994)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	2,486,138
Purchases of Investments	(9,593,311)
Investment Income	698,360
	<u>(6,408,813)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(5,340,783)
Cash and Cash Equivalents, Beginning of Year	23,140,650
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 17,799,867</u>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (162,250,157)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	18,771,188
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	4,561,248
Inventories	30,762
Loans and Notes Receivable, Net	407,022
Accounts Payable	1,132,161
Salaries and Wages Payable	(130)
Deposits Payable	(10,850)
Compensated Absences Payable	(284,676)
Unearned Revenue	104,801
Other Postemployment Benefits Payable	(4,822,000)
Net Pension Liability	6,020,511
Deferred Outflows of Resources Related to Other Postemployment Benefits	(1,147,000)
Deferred Inflows of Resources Related to Other Postemployment Benefits	8,404,000
Deferred Outflows of Resources Related to Pensions	(4,355,550)
Deferred Inflows of Resources Related to Pensions	3,895,801
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (129,542,869)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized losses 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.	\$ (273,139)
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.	\$ (1,045,482)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 75,128

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.
- Florida A&M University Rattler Boosters, Inc. (Boosters) provides contributions to the University to stimulate the education, health, and physical welfare of students. Although a component unit, the financial activities of the Boosters are not included in the University's financial statements as the economic resources received and held by the Boosters are insignificant to the University.



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. 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 2017-18 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 follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

**Cash and Cash Equivalents**. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by 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
- Works 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. Reporting Change**

**Governmental Accounting Standards Board Statement No. 75.** The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

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

The beginning net position of the University was decreased by \$41,303,000 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by \$42,686,000 to \$64,794,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75. The adjustment to beginning net position includes \$1,383,000 for the establishment of beginning deferred outflows of resources.

## **4. 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	\$ (107,858,099)
Auxiliary Funds	20,698,191
<b>Total</b>	<b>\$ (87,159,908)</b>

## 5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The 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, 2018, are reported as follows:

	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments by fair value level</b>				
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 42,296,213	\$ -	\$ -	\$ 42,296,213
SBA Debt Service Accounts	4,716,487	4,716,487	-	-
Total investments by fair value level	<u>\$ 47,012,700</u>	<u>\$ 4,716,487</u>	<u>\$ -</u>	<u>\$ 42,296,213</u>
<b>Total investments measured at fair value</b>	<u>\$ 47,012,700</u>			

### **External Investment Pool.**

The University reported investments at fair value totaling \$42,296,213 at June 30, 2018, 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 A+f by Standard & Poor's, had an effective duration of 3 years, and fair value factor of 0.9872 at June 30, 2018. 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.

### **State Board of Administration Debt Service Accounts.**

The University reported investments totaling \$4,716,487 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **Component Units' Investments.**

Investments held by the University's component units, Florida Agricultural and Mechanical University Foundation, Inc. and Florida Agricultural and Mechanical University National Alumni Association, Inc. at June 30, 2018, 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	\$ 2,107,264	\$ -	\$ 2,107,264	\$ -
Corporate Bonds	6,983,209	-	6,983,209	-
Common Stocks	6,291,689	6,291,689	-	-
Mutual Funds	6,700,441	-	6,700,441	-
Commingled Funds	79,159,280	-	79,159,280	-
Real Estate Property	1,320,841	-	820,841	500,000
Money Market Funds	13,034,926	13,034,926	-	-
Total investments by fair value level	\$115,597,650	\$ 19,326,615	\$ 95,771,035	\$ 500,000
<b>Investments measured at the net asset value (NAV)</b>				
Multi-Strategy Hedge Funds	4,786,179			
Real Estate Funds	4,426,043			
Limited Partnerships	719,113			
Total investments measured at NAV	9,931,335			
<b>Total investments measured at fair value</b>	<b>\$125,528,985</b>			

## 6. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 16,693,155
Contracts and Grants	6,755,288
Interest Receivable	780,232
Other	2,573,351
Total Accounts Receivable	26,802,026
Allowance for Doubtful Accounts	(11,056,507)
<b>Total Accounts Receivable, Net</b>	<b>\$ 15,745,519</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 \$11,056,507 and \$1,232,644, respectively, at June 30, 2018.

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

## 7. Due From State

The amount due from State consists of \$18,495,602 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

## 8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, 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	722,300	20,334	-	742,634
Construction in Progress	26,882,838	10,519,624	25,076,049	12,326,413
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 52,974,413</b>	<b>\$ 10,539,958</b>	<b>\$ 25,076,049</b>	<b>\$ 38,438,322</b>
Depreciable Capital Assets:				
Buildings	\$ 582,927,119	\$ 20,142,211	\$ -	\$ 603,069,330
Infrastructure and Other Improvements	87,398,103	4,933,838	-	92,331,941
Furniture and Equipment	54,631,277	2,974,634	2,979,242	54,626,669
Library Resources	62,788,227	805,690	538,649	63,055,268
Property Under Capital Leases	1,174,619	31,522	-	1,206,141
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	31,041	7,500	-	38,541
<b>Total Depreciable Capital Assets</b>	<b>788,992,836</b>	<b>28,895,395</b>	<b>3,517,891</b>	<b>814,370,340</b>
Less, Accumulated Depreciation:				
Buildings	160,482,656	11,276,583	-	171,759,239
Infrastructure and Other Improvements	23,450,737	2,165,611	-	25,616,348
Furniture and Equipment	42,838,889	3,129,283	1,913,850	44,054,322
Library Resources	52,383,806	1,953,851	538,649	53,799,008
Property Under Capital Leases	457,982	239,652	-	697,634
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	15,533	6,208	-	21,741
<b>Total Accumulated Depreciation</b>	<b>279,672,053</b>	<b>18,771,188</b>	<b>2,452,499</b>	<b>295,990,742</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 509,320,783</b>	<b>\$ 10,124,207</b>	<b>\$ 1,065,392</b>	<b>\$ 518,379,598</b>

## 9. Unearned Revenue

Unearned revenue at June 30, 2018, includes money 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, 2018, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 5,645,967
Student Tuition and Fees	929,012
<b>Total Unearned Revenue</b>	<b>\$ 6,574,979</b>

## 10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include capital improvement debt payable, capital leases 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, 2018, 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	\$ 59,862,867	\$ -	\$ 3,733,938	\$ 56,128,929	\$ 3,427,000
Capital Leases Payable	11,405,926	31,522	1,396,343	10,041,105	1,368,558
Compensated Absences Payable	21,743,736	1,168,229	1,452,362	21,459,603	1,568,697
Other Postemployment Benefits Payable (1)	64,794,000	6,146,000	10,968,000	59,972,000	1,524,000
Net Pension Liability	79,860,768	8,731,408	2,710,897	85,881,279	661,987
Other Noncurrent Liabilities	1,975,468	-	81,893	1,893,575	-
<b>Total Long-Term Liabilities</b>	<b>\$ 239,642,765</b>	<b>\$ 16,077,159</b>	<b>\$ 20,343,433</b>	<b>\$ 235,376,491</b>	<b>\$ 8,550,242</b>

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75 as described in Note 3.

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2018:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Student Housing Debt:				
2010A Dormitory	\$ 14,687,000	\$ 10,799,780	5.07	2030
2010B Dormitory Revenue Refunding	12,960,000	6,737,540	4.6	2025
2012A Dormitory	47,866,585	38,591,609	4.0 to 5.0	2032
<b>Total Capital Improvement Debt</b>	<b>\$ 75,513,585</b>	<b>\$ 56,128,929</b>		

(1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental revenues to repay \$56,128,929 in capital improvement (housing) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing for the refunding of existing capital improvement debt for student housing facilities, to remodel two existing student housing facilities, and for the construction of a new 800-bed dormitory. The bonds are payable solely from housing rental income and are payable through 2032. 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 \$70,752,287, and principal and interest paid for the current year totaled \$5,923,786. During the 2017-18 fiscal year, housing rental income totaled \$16,219,283.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,427,000	\$ 2,496,807	\$ 5,923,807
2020	3,599,000	2,327,788	5,926,788
2021	3,781,000	2,150,333	5,931,333
2022	3,973,000	1,963,908	5,936,908
2023	4,165,000	1,768,068	5,933,068
2024-2028	18,900,000	5,962,543	24,862,543
2029-2032	14,786,000	1,451,840	16,237,840
<b>Subtotal</b>	52,631,000	18,121,287	70,752,287
Net Discounts and Premiums	3,497,929	-	3,497,929
<b>Total</b>	<b>\$ 56,128,929</b>	<b>\$ 18,121,287</b>	<b>\$ 74,250,216</b>

**Capital Leases Payable.** In prior years, the University entered into capital lease agreements totaling \$14,786,173 to finance energy performance savings contracts. The stated interest rates are 4.5 and 2.5946 percent. In fiscal year 2014-15, the University entered into two additional capital lease agreements totaling \$825,660, to finance telecommunications and emergency vehicle equipment. The stated interest rates are 5.83 and 6.083 percent, respectively. In fiscal year 2016-17 and 2017-18, the University entered into additional capital lease agreements to finance various public safety and maintenance vehicles totaling \$380,480. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 1,625,394
2020	1,241,613
2021	1,030,262
2022	1,030,262
2023	1,030,259
2024-2028	5,151,311
2029	257,561
<b>Total Minimum Payments</b>	11,366,662
Less, Amount Representing Interest	1,325,557
<b>Present Value of Minimum Payments</b>	<b>\$ 10,041,105</b>

**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, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$21,459,603. The current portion of the compensated absences liability, \$1,568,697, 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 meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

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

The University's proportionate share of the total OPEB liability of \$59,972,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. At June 30, 2017, 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, 2016.

*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	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	
PPO Plan	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
HMO Plan	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017 valuation were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated Assumptions for the FRS July 1, 2016 Actuarial Valuation were approved by the 2016 FRS Actuarial Assumptions Conference.

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 June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, 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, 2015.
- The annual per capita claims costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Health care inflation rates have been updated to reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017 through June 30, 2023, as adopted August 3, 2017 by the Self-Insurance Estimated Conference.
- The active mortality rates have been updated to use rates mandated 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 Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2016 FRS actuarial valuation report.
- The discount rate as of the measurement date for GASB 75 purposes is 3.58 percent. The prior GASB 45 valuation used 4.00 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

*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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
University's proportionate share of the total OPEB liability	\$71,381,000	\$59,972,000	\$50,961,000

*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	\$50,481,000	\$59,972,000	\$72,240,000

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

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of \$3,959,000. At June 30, 2018, 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>
Change of assumptions or other inputs	\$ -	\$ 8,404,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	1,006,000	-
Transactions subsequent to the measurement date	1,524,000	-
<b>Total</b>	<u>\$ 2,530,000</u>	<u>\$ 8,404,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,524,000 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, 2019. 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>
2019	\$ (1,057,000)
2020	(1,057,000)
2021	(1,057,000)
2022	(1,057,000)
2023	(1,057,000)
Thereafter	(2,113,000)
<b>Total</b>	<b>\$ (7,398,000)</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 \$1,893,575 at June 30, 2018.

**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, 2018, the University’s proportionate share of the net pension liabilities totaled \$85,881,279. Note 11. includes a complete discussion of defined benefit pension plans.

## **11. 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 \$12,682,451 for the fiscal year ended June 30, 2018.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<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 2017-18 fiscal year were:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
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 \$5,964,355 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the University reported a liability of \$62,341,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.210759036 percent, which was a decrease of 0.001555952 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$10,909,146. 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	\$ 5,721,414	\$ 345,338
Change of assumptions	20,951,014	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,544,967
Changes in proportion and differences between University contributions and proportionate share of contributions	1,652,108	857,370
University FRS contributions subsequent to the measurement date	5,964,355	-
<b>Total</b>	<b>\$ 34,288,891</b>	<b>\$ 2,747,675</b>

The deferred outflows of resources totaling \$5,964,355, 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, 2019. 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>
2019	\$ 3,760,542
2020	9,123,446
2021	6,034,479
2022	1,053,098
2023	4,064,591
Thereafter	1,540,705
<b>Total</b>	<b>\$ 25,576,861</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<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%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.10 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 2017 valuation was updated from 7.60 percent to 7.10 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 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
University's proportionate share of the net pension liability	\$112,833,642	\$62,341,109	\$20,420,738

*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, 2018, 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, 2018, 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 \$1,157,333 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the University reported a liability of \$23,540,170 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.220156699 percent, which was a decrease of 0.005085685 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of \$1,773,305. 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	\$ -	\$ 49,014
Change of assumptions	3,308,938	2,035,542
Net difference between projected and actual earnings on HIS Plan investments	13,055	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	188,479	431,205
University HIS contributions subsequent to the measurement date	1,157,333	-
<b>Total</b>	<b>\$ 4,667,805</b>	<b>\$ 2,515,761</b>

The deferred outflows of resources totaling \$1,157,333 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, 2019. 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>
2019	\$ 368,568
2020	366,098
2021	364,912
2022	237,448
2023	52,627
Thereafter	(394,942)
<b>Total</b>	<b>\$ 994,711</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2017, 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	3.58 percent

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

While an experience study had not been completed for the HIS Plan, the 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 3.58 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 2017 valuation was updated from 2.85 percent to 3.58 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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
University's proportionate share of the net pension liability	\$26,862,451	\$23,540,170	\$20,772,893

*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.

## **12. 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 2017-18 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, 2018, 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 \$679,189 for the fiscal year ended June 30, 2018.

**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, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 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 \$3,788,105, and employee contributions totaled \$2,416,631 for the 2017-18 fiscal year.

### 13. Construction Commitments

The University's construction commitments at June 30, 2018, 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	\$ 4,003,593	\$ 3,421,805	\$ 581,788
Student Housing - 700 Bed Facility	412,076	412,076	-
Developmental Research School	1,281,923	1,211,500	70,423
Student Service Center - Dining Hall	2,439,774	2,379,997	59,777
Quincy Farms Expansion	1,151,274	1,064,505	86,769
Allied Health Simulation	538,256	534,118	4,138
Maintenance and Renovations	3,408,937	3,302,412	106,525
<b>Total</b>	<b>\$ 13,235,833</b>	<b>\$ 12,326,413</b>	<b>\$ 909,420</b>

### 14. 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>
2019	\$ 110,307
2020	36,000
2021	36,000
2022	36,000
2023	36,000
<b>Total Minimum Payments Required</b>	<b>\$ 254,307</b>

### 15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 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 \$92.5 million for named windstorm and flood through February 14, 2018, and decreased to \$78 million starting February 15, 2018. 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.

## **16. Litigation**

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

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

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 75,496,730
Research	24,471,181
Public Services	352,454
Academic Support	44,369,714
Student Services	7,167,650
Institutional Support	39,143,697
Operation and Maintenance of Plant	20,495,675
Scholarships, Fellowships, and Waivers	24,796,634
Depreciation	18,771,188
Auxiliary Enterprises	31,578,568
Loan Operations	125,605
<b>Total Operating Expenses</b>	<b>\$ 286,769,096</b>

## 18. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's 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	\$ 13,811,072
Capital Assets, Net	78,489,372
<b>Total Assets</b>	<b>92,300,444</b>
<b>Deferred Outflow of Resources</b>	<b>85,652</b>
<b>Liabilities</b>	
Current Liabilities	5,338,659
Noncurrent Liabilities	52,898,568
<b>Total Liabilities</b>	<b>58,237,227</b>
<b>Net Position</b>	
Net Investment in Capital Assets	23,248,441
Restricted - Expendable	4,837,774
Unrestricted	6,062,654
<b>Total Net Position</b>	<b>\$ 34,148,869</b>



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

	<b>Housing Facility</b>
Operating Revenues	\$ 16,219,283
Depreciation Expense	(2,054,432)
Other Operating Expenses	(8,031,347)
<b>Operating Income</b>	<b>6,133,504</b>
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	1,323,780
Interest Expense	(2,657,786)
<b>Net Nonoperating Expenses</b>	<b>(1,334,006)</b>
<b>Increase in Net Position</b>	<b>4,799,498</b>
Net Position, Beginning of Year	29,349,371
<b>Net Position, End of Year</b>	<b>\$ 34,148,869</b>

**Condensed Statement of Cash Flows**

	<b>Housing Facility</b>
Net Cash Provided (Used) by:	
Operating Activities	\$ 8,322,689
Capital and Related Financing Activities	(8,136,108)
Investing Activities	(953,702)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(767,121)</b>
Cash and Cash Equivalents, Beginning of Year	3,758,178
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,991,057</b>

**19. Discretely Presented Component Units**

The University has two 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

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Florida Agricultural and Mechanical University Foundation, Inc.</u>	<u>Florida Agricultural and Mechanical University National Alumni Association, Inc.</u>	
<b>Assets:</b>			
Current Assets	\$ 9,411,022	\$ 44,013	\$ 9,455,035
Capital Assets, Net	154,911	-	154,911
Other Noncurrent Assets	123,520,507	2,008,478	125,528,985
<b>Total Assets</b>	<u>133,086,440</u>	<u>2,052,491</u>	<u>135,138,931</u>
<b>Liabilities:</b>			
Current Liabilities	7,211,539	23,099	7,234,638
<b>Net Position:</b>			
Net Investment in Capital Assets	154,911	-	154,911
Restricted - Nonexpendable	87,517,056	-	87,517,056
Restricted - Expendable	35,998,225	1,953,843	37,952,068
Unrestricted	2,204,709	75,549	2,280,258
<b>Total Net Position</b>	<u>\$ 125,874,901</u>	<u>\$ 2,029,392</u>	<u>\$ 127,904,293</u>

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

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Florida Agricultural and Mechanical University Foundation, Inc.</u>	<u>Florida Agricultural and Mechanical University National Alumni Association, Inc.</u>	
Operating Revenues	\$ 11,546,404	\$ 746,503	\$ 12,292,907
Operating Expenses	(15,279,504)	(728,949)	(16,008,453)
<b>Operating Income (Loss)</b>	<u>(3,733,100)</u>	<u>17,554</u>	<u>(3,715,546)</u>
Net Nonoperating Revenues	8,423,376	82,471	8,505,847
<b>Increase in Net Position</b>	<u>4,690,276</u>	<u>100,025</u>	<u>4,790,301</u>
Net Position, Beginning of Year	121,184,625	1,929,367	123,113,992
<b>Net Position, End of Year</b>	<u>\$ 125,874,901</u>	<u>\$ 2,029,392</u>	<u>\$ 127,904,293</u>

## **20. 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 \$306,741 and retained ticket sales of \$468,691 for a total distribution of \$775,432 from the proceeds of the Florida Classic football game held on November 18, 2017.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>2017 (1)</b>
University's proportion of the total other postemployment benefits liability	0.55%
University's proportionate share of the total other postemployment benefits liability	\$ 59,972,000
University's covered-employee payroll	\$ 112,860,919
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	53.14%

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

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

	<b>2017 (1)</b>	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>	<b>2013 (1)</b>
University's proportion of the FRS net pension liability	0.210759036%	0.212314988%	0.218226097%	0.219223139%	0.192935113%
University's proportion share of the FRS net pension liability	\$ 62,341,109	\$ 53,609,701	\$ 28,186,827	\$ 13,375,835	\$ 33,212,720
University's covered payroll (2)	\$ 112,860,919	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813	\$ 103,898,906
University's proportion share of the FRS net pension liability as a percentage of its covered payroll	55.24%	48.18%	25.77%	12.61%	31.97%
FRS Plan fiduciary net pension as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(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**

	<b>2018 (1)</b>	<b>2017 (1)</b>	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>
Contractually required FRS contribution	\$ 5,964,355	\$ 5,486,577	\$ 5,177,640	\$ 5,320,538	\$ 4,801,917
FRS contributions in relation to the contractually required contribution	(5,964,355)	(5,486,577)	(5,177,640)	(5,320,538)	(4,801,917)
FRS contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
University's covered payroll (2)	\$ 113,789,082	\$ 112,860,919	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813
FRS contributions as a percentage of covered payroll	5.24%	4.86%	4.65%	4.86%	4.53%

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

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.220156699%	0.225242384%	0.224601105%	0.224264902%	0.220974771%
University's proportion share of the HIS net pension liability	\$ 23,540,170	\$ 26,251,067	\$ 22,905,780	\$ 20,969,316	\$ 19,238,759
University's covered payroll (2)	\$ 68,546,066	\$ 69,785,144	\$ 66,541,722	\$ 65,648,265	\$ 62,952,635
University's proportion share of the HIS net pension liability as a percentage of its covered payroll	34.34%	37.62%	34.42%	31.94%	30.56%
HIS Plan fiduciary net pension as a percentage of the FRS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(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>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 1,157,333	\$ 1,165,133	\$ 1,154,511	\$ 858,565	\$ 768,256
HIS contributions in relation to the contractually required HIS contribution	<u>(1,157,333)</u>	<u>(1,165,133)</u>	<u>(1,154,511)</u>	<u>(858,565)</u>	<u>(768,256)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 68,588,401	\$ 68,546,066	\$ 69,785,144	\$ 66,541,722	\$ 65,648,265
HIS contributions as a percentage of covered payroll	1.69%	1.70%	1.65%	1.29%	1.17%

(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.

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The University's June 30, 2018, proportionate share of the total OPEB liability significantly decreased from the prior fiscal year as a result of changes to assumptions as discussed below:

*Changes of Assumptions.* In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. (Refer to Note 10. to the financial statements for further detail.)

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent.

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 16, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 16, 2019