

**SUMMARY OF FINANCIAL INDICATORS
AND TRENDS IDENTIFIED IN
STATE UNIVERSITY AUDIT REPORTS**

For the Fiscal Year Ended June 30, 2019



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SUMMARY OF FINANCIAL INDICATORS AND TRENDS IDENTIFIED IN STATE UNIVERSITY AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SUMMARY

Each of the 12 universities comprising the State University System is a separate public instrumentality directly governed by a separate board of trustees. Pursuant to State law,¹ the Auditor General annually conducts financial audits of each State university. This report provides a summary of significant financial indicators and trends of the State University System based on the information contained within the 12 State universities' audited financial statements for the 2014-15 through 2018-19 fiscal years. A complete financial analysis would require detailed analyses of ratios in addition to the financial indicators summarized in this report, studies of indicators over time, and comparisons of universities of similar size and mission.

Financial Indicators and Trends

At June 30, 2019, State universities reported or had, in aggregate:

- An average ratio of current cash, cash equivalents, and investments to current liabilities of 4. This ratio is an indicator of the universities' ability to pay short-term obligations or other obligations due within 1 year. While a ratio of 1 indicates that a university had exactly the same amount of current liabilities as it did current cash, cash equivalents, and investments, a higher ratio indicates that current assets are more than sufficient to meet current obligations but may also indicate that available resources are not being timely and effectively used to best support a university's operations and mission.
- \$887 million total revenues, on average, which represented 107 percent of total expenses. This ratio is an indicator of whether or not revenues were sufficient to fund expenses for a particular fiscal year. Percentages that increase over extended periods may indicate that resources are being accumulated rather than timely used to support the university mission; whereas, lower percentages may indicate that revenues are not sufficient to support university operations or that operational efficiency could be improved.
- A total net position to total assets ratio of 55 percent, a long-term debt to total assets ratio of 10 percent, and a long-term debt to student full-time equivalent enrollment ratio of 6. A net position to total asset ratio increasing over time may indicate better financial health and solvency. Lower long-term debt to total assets or student enrollment ratios over time may indicate that a university is in a better position to issue new debt to meet its capital infrastructure needs.
- A total deficit of \$1,026 million in unrestricted net position balances. The deficit occurred primarily because of recent accounting requirements to report other postemployment benefits payable.

During the 5-year period ended June 30, 2019:

- State non-capital appropriations to State universities increased by 25 percent.
- Student tuition and fees, net of scholarship allowances, decreased by 1 percent.
- Statewide student enrollment increased by 7 percent.

¹ Section 11.45(2)(c), Florida Statutes.

- The aggregate long-term debt for all State universities decreased by \$222 million.
- The aggregate total investments for all State universities increased by \$1,216 million, primarily due to an increase in investment income and the fair value of investments, as driven by market performance.

BACKGROUND

Pursuant to Article IX, Section 7(d) of the State Constitution, the Florida Board of Governors (BOG) has the duty to operate, regulate, control, and be fully responsible for the management of the State University System. The BOG is composed of 17 members, including 14 citizen members who are appointed by the Governor, subject to confirmation by the Senate, and serve 7-year staggered terms; the Commissioner of Education; the Chair of the Advisory Council of Faculty Senates, or the equivalent; and the President of the Florida Student Association, or the equivalent. The BOG establishes the powers and duties of the individual university boards of trustees.

While the BOG governs the State University System as a whole, each of the 12 universities comprising the State University System is a separate public instrumentality that is directly governed by a separate board of trustees (trustees). The trustees for each university are responsible for setting policies for their respective university that provide guidance in accordance with State law and BOG regulations. As part of that governance role, the respective trustees select the university presidents. Each university president serves as the executive officer and corporate secretary for their respective board of trustees. The university presidents are responsible for administering the policies prescribed by their trustees. The State University System includes the following 12 universities:

- Florida Agricultural and Mechanical University (FAMU)
- Florida Atlantic University (FAU)
- Florida Gulf Coast University (FGCU)
- Florida International University (FIU)
- Florida Polytechnic University (FPU)
- Florida State University (FSU)
- New College of Florida (NCF)
- University of Central Florida (UCF)
- University of Florida (UF)
- University of North Florida (UNF)
- University of South Florida (USF)
- University of West Florida (UWF)

Pursuant to State law,² the Auditor General annually conducts a financial audit at each State university and, at least every 3 years, an operational audit of the accounts and records of the BOG and each State university. Reports for each of these audits are available on our Web site at FLAuditor.gov.

² Section 11.45(2)(c) and (f), Florida Statutes.

FINANCIAL INDICATORS AND TRENDS

Critical interest in understanding and addressing the factors that affect the financial condition of State universities exists as evidenced by the various provisions of State law that prescribe how university resources are to be monitored and restrict how those resources may be expended. Assessing the State University System's financial health is an important component in developing strategies and effectively managing institutional risk. This report provides a financial analysis of the State University System based on select key financial indicators (ratios) and trends. However, a complete financial analysis would require further detailed analyses of other ratios, studies of the ratios over time, and comparisons of universities of similar size and mission.

Financial Indicators – Solvency

One way to assess the financial health and solvency of universities is to use ratio analyses of selected account balances and transactions. Solvency is a measure of a university's ability to meet financial obligations and incur new debt for capital and operating needs. To evaluate the solvency of each State university, we considered five indicators expressed in ratios. The ratios included:

- Current cash, cash equivalents, and investments to current liabilities.
- Total revenues to total expenses.
- Total net position to total assets.
- Long-term debt to total assets.
- Long-term debt (in thousands) to full-time equivalent (FTE) enrollment.

The results of our analyses of these ratios are summarized in Charts 1 through 7. For each indicator, we displayed the ratio for each university, as well as the average ratio for all the State universities in aggregate. While each university was required, pursuant to State law,³ to maintain, and did maintain, a minimum carryforward balance of at least 5 percent of its operating budget, as of June 30, 2019, the State universities in aggregate had, on average, an amount of current cash, cash equivalents, and investments that was 4 times the amount needed to cover current liabilities; total revenues that were 107 percent of total expenses; a total net position that was 55 percent of total assets; long-term debt that was 10 percent of total assets; and long-term debt (in thousands) that was 6 times the FTE enrollment.

Current Cash, Cash Equivalents, and Investments to Current Liabilities. This ratio is expressed as a numeral and indicates the extent to which a university has sufficient cash, cash equivalents, and investments to pay maturing short-term liabilities. Lower ratios may indicate that a university is over committed financially and may have difficulty generating sufficient cash to meet current needs. A ratio of 1 would indicate that a university had exactly the same amount of current liabilities as it did current cash, cash equivalents, and investments.

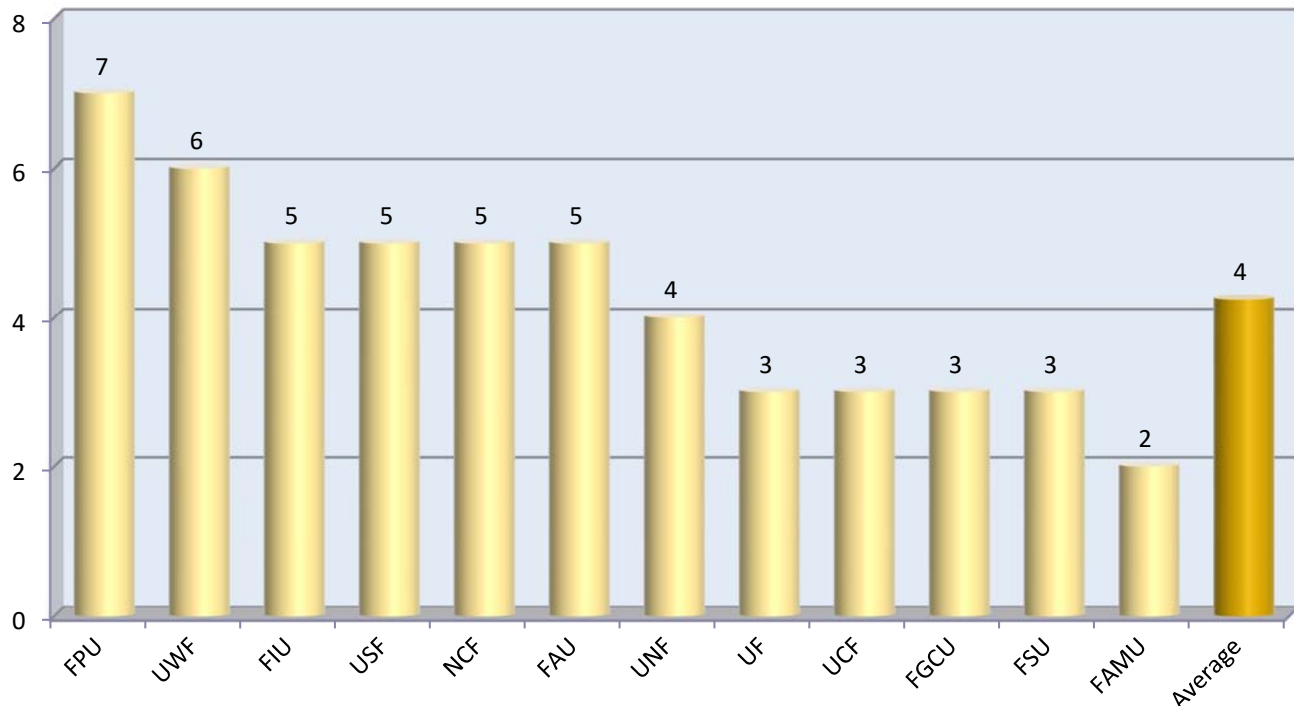
A ratio greater than 1 would indicate that a university had more current cash, cash equivalents, and investments than current liabilities. In this situation, the university would have the ability to cover all

³ Section 1011.40(2), Florida Statutes (2018).

current liabilities and still have current cash, cash equivalents, and investments remaining. Higher ratios may indicate good financial solvency and liquidity but may also indicate that some available resources are not being timely and effectively used to best support the university's operations and mission.

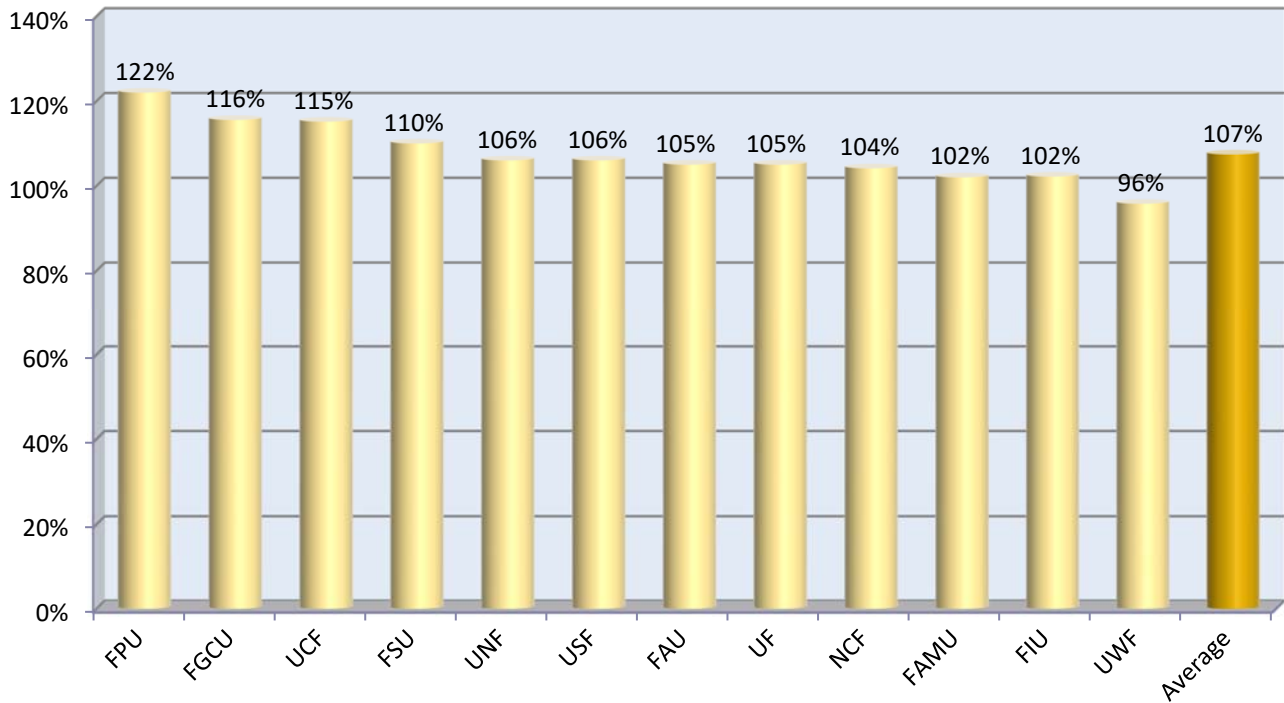
As shown in Chart 1, at June 30, 2019, the amounts of current cash, cash equivalents, and investments at the State universities ranged from 2 to 7 times the amount needed to cover current liabilities and, in aggregate, the State universities had, on average, an amount of current cash, cash equivalents, and investments that was 4 times the amount needed to cover current liabilities. Such ratios may indicate that the Legislature and universities should consider whether revenue streams or spending plans could be modified to better ensure that resources are used in the most timely and effective manner.

Chart 1
Ratio of Current Cash, Cash Equivalents, and Investments to
Current Liabilities for Each State University
As of June 30, 2019



Total Revenues to Total Expenses. This ratio is expressed as a percentage. For the fiscal year ended June 30, 2019, State universities reported, on average, \$887 million total revenues, which represented 107 percent of the total reported expenses of \$829 million. This indicates that the universities had, in aggregate, sufficient revenues to cover expenses. Percentages that increase over time may indicate that resources are being accumulated rather than timely used or that certain resources are not being used to address the educational needs of those who generated the resources; whereas, lower percentages may indicate that revenues are not sufficient to support university operations or that operational efficiency could be improved. Chart 2 shows, for the fiscal year ended June 30, 2019, the ratio of total revenues to total expenses for each State university and the average ratio for the 12 State universities in aggregate.

Chart 2
Ratio of Total Revenues to Total Expenses
for Each State University
For the Fiscal Year Ended June 30, 2019



As shown in Chart 3, the ratio of total revenues to total expenses for the 12 State universities in aggregate has remained fairly consistent over the 5 fiscal years ended June 30, 2015, through June 30, 2019.

Chart 3
Ratio of Total Revenues to Total Expenses
for the State Universities in Aggregate
For the Fiscal Years Ended June 30, 2015, Through June 30, 2019



University revenues are derived from various sources with varying restrictions including State appropriations, tuition and fees, contracts and grants, and auxiliary services. During the 2019-20 fiscal year, State university in-State tuition and fee prices were ranked the second lowest in the country.⁴

Total Net Position to Total Assets. Net position is a measure of a university's equity, with equity representing resources (assets and deferred outflows of resources) that would remain if all the university's obligations (liabilities and deferred inflows of resources) were paid or liquidated at a point in time. A positive net position indicates resources will likely be available to meet a university's obligations when payment is due or required. A higher net position or a net position that is increasing over time indicates better financial health and solvency.

A ratio established to measure net position is total net position to total assets. This ratio is expressed as a percentage. At June 30, 2019, the average ratio of total net position to total assets for the 12 State universities in aggregate was 55 percent, which indicates that the State University System as a whole had sufficient resources to pay obligations. Chart 4 shows, as of June 30, 2019, the ratio of total net position to total assets for each State university, as well as the average ratio for the 12 State universities, and Chart 5 shows the total net position to total assets ratio for State universities in aggregate for the fiscal year ended June 30, 2019, and the previous 4 fiscal years.

⁴ *Trends in College Pricing 2019, College Board.*

Chart 4
Ratio of Total Net Position to Total Assets
for Each State University
As of June 30, 2019

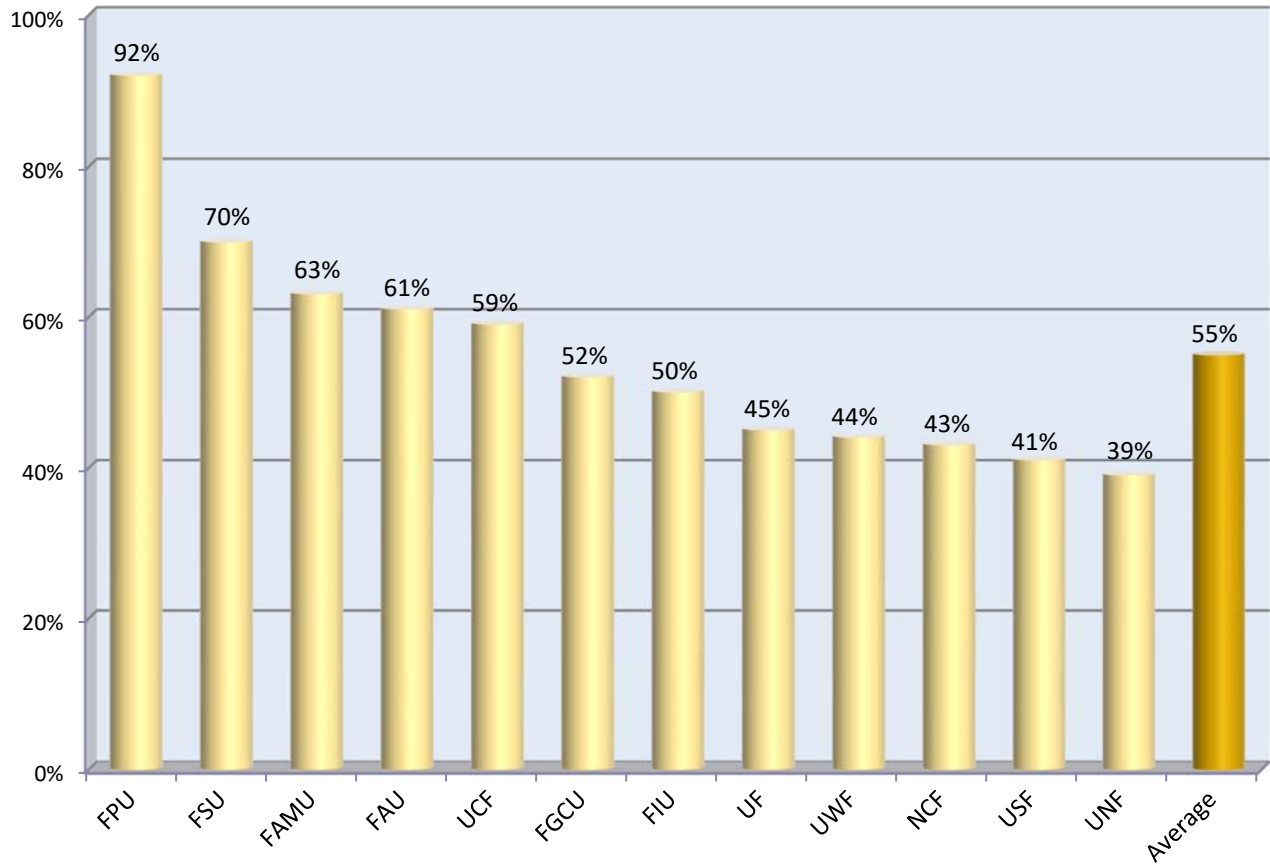
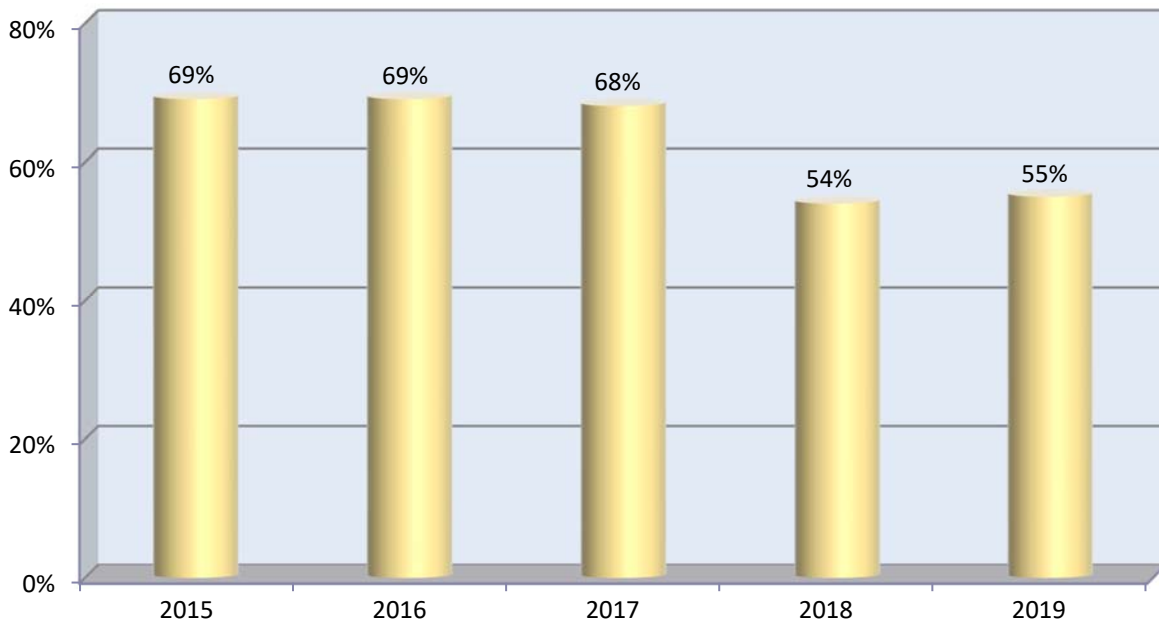


Chart 5
Ratio of Total Net Position to Total Assets
for the State Universities in Aggregate
As of June 30, 2015, 2016, 2017, 2018, and 2019

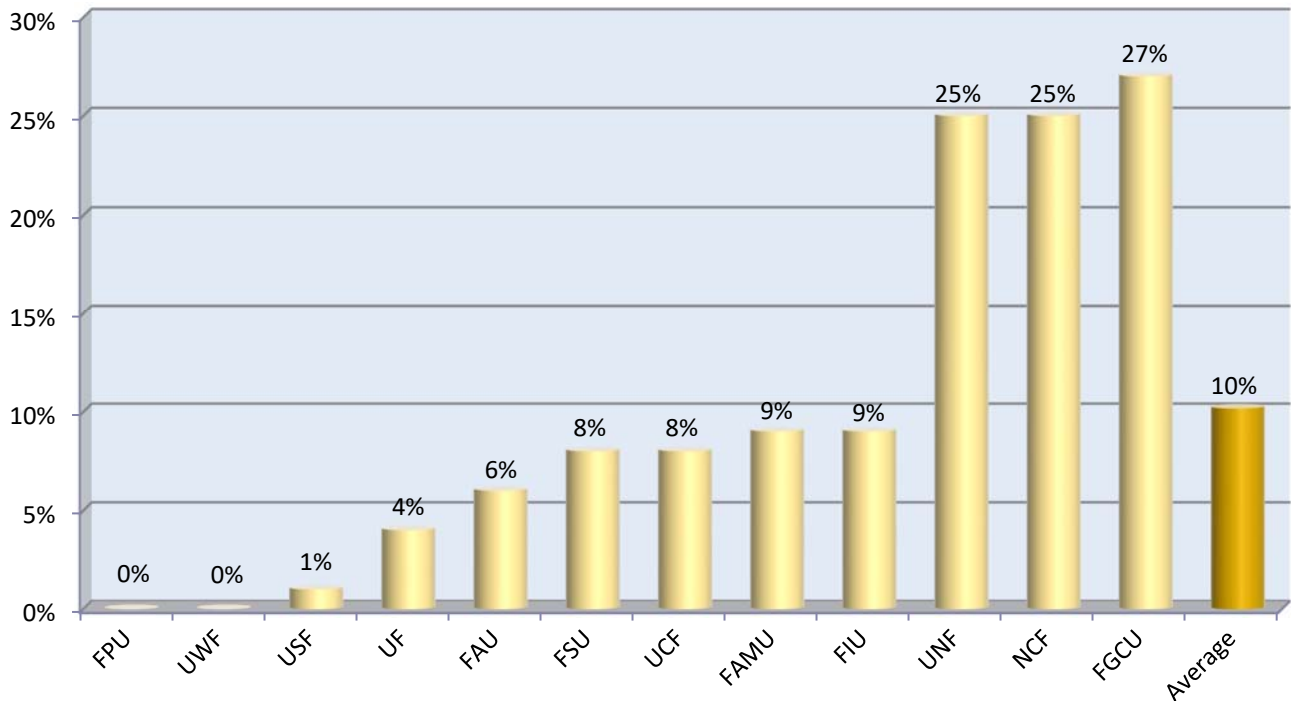


The decrease in the ratio of average total net position to total assets at June 30, 2018, was primarily attributable to the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), during the 2017-18 fiscal year. GASB 75 requires the full recognition of other postemployment benefits payables, which were not previously recorded in university financial statements.

Long-Term Debt to Total Assets. The ratio of long-term debt to total assets measures the extent to which a university has used debt to finance assets. This ratio is expressed as a percentage. A lower ratio indicates a university may be in a better position to issue new debt to meet its capital infrastructure needs. Conversely, a higher ratio may indicate that a university's ability to take on additional long-term debt is limited.

At June 30, 2019, the average ratio of long-term debt to total assets for all State universities was 10 percent, which indicates that the State University System as a whole did not have an excessive amount of debt. Chart 6 shows, as of June 30, 2019, the ratio of total long-term debt to total assets for each university, as well as the average ratio for all State universities in aggregate.

Chart 6
Ratio of Long-Term Debt to Total Assets
for Each State University
As of June 30, 2019

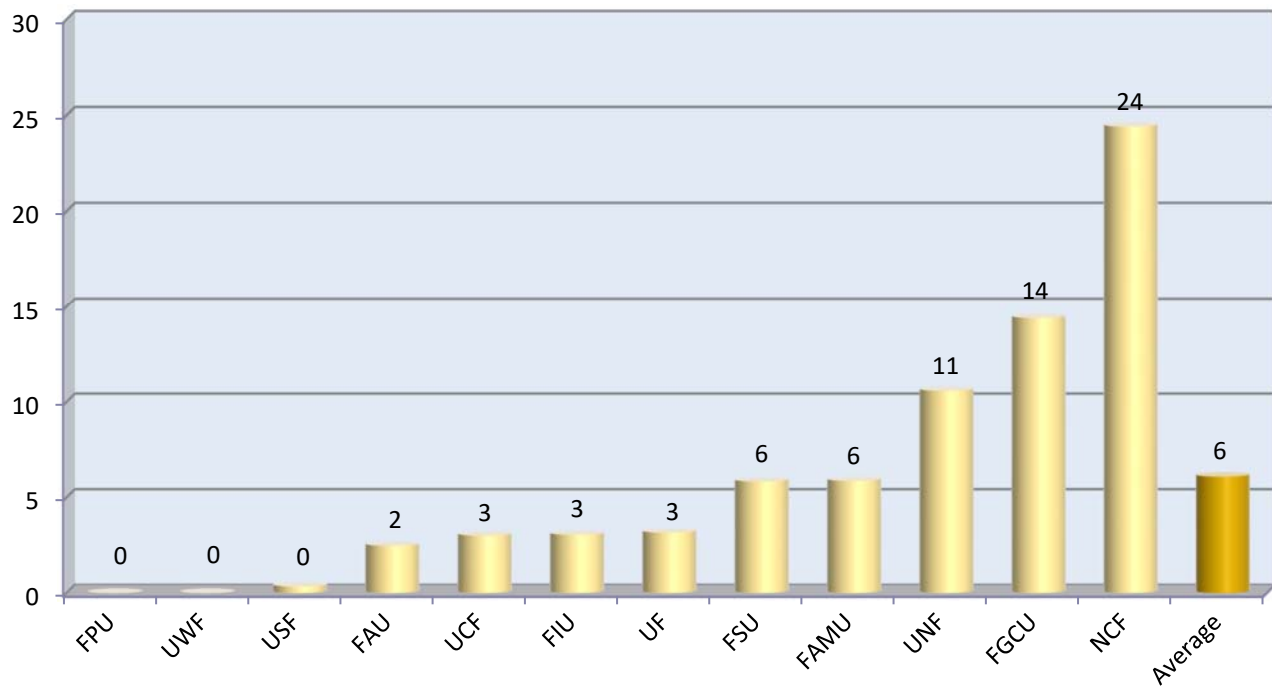


Bond rating agencies routinely consider financial activities of universities to help determine the credit worth of each university. For example, in October 2019, Standards & Poor’s raised the State University System’s capital improvement bond rating to AA+ from AA and indicated the outlook to be stable.

Long-Term Debt (in thousands) to Full-Time Equivalent Enrollment. This ratio is expressed as a numeral. The ratio of long-term debt to full-time enrollment may provide another indication of a university’s ability to use debt to meet capital infrastructure needs while considering university enrollment, since enrollment drives revenues that can be used to meet debt payment requirements. Similar to the Long-Term Debt to Total Assets ratio, a lower ratio indicates that a university is in a better position to issue new debt to meet its capital infrastructure needs. Conversely, a higher ratio may indicate that a university’s ability to take on additional long-term debt is limited.

At June 30, 2019, the average ratio of long-term debt (in thousands) to FTE enrollment for all State universities was 6, which indicates that the State University System as a whole did not have an excessive amount of long-term debt per FTE enrollment. Chart 7 shows, for the fiscal year ended June 30, 2019, the ratio of total long-term debt (in thousands) to FTE enrollment for each university, as well as the average ratio for the State universities in aggregate.

Chart 7
Ratio of Long-Term Debt (in Thousands) to
Student Full-Time Equivalent Enrollment for Each State University
For the Fiscal Year Ended June 30, 2019

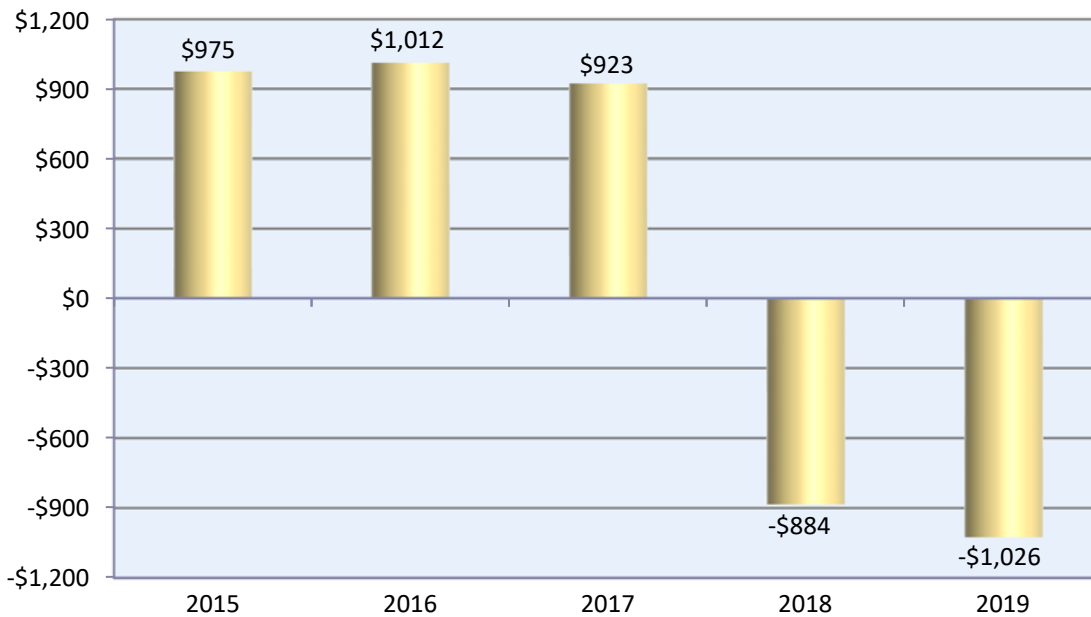


Financial Trends – Unrestricted Net Position

Net position represents a governmental entity's equity. For universities, equity can be defined as the resources remaining after deducting liabilities and other financial obligations from the universities' assets and other resources. Net position is categorized and displayed within the financial statements in three components: 1) net investment in capital assets, 2) restricted (distinguishing between major categories of restrictions), and 3) unrestricted.

The unrestricted component represents those funds available for uses to be determined by the respective university boards and management. Chart 8 shows the unrestricted net position of the State universities in aggregate for the fiscal years ended June 30, 2015, through June 30, 2019. As shown in Chart 8, the unrestricted net position at June 30, 2019, was a deficit of \$1,026 million, which is significantly less than the unrestricted net positions at June 30 of the previous 4 years.

Chart 8
Total Unrestricted Net Position Amounts
for State Universities in Aggregate
As of June 30, 2015, 2016, 2017, 2018, and 2019
(In Millions)



The deficit unrestricted net positions at June 30, 2018, and June 30, 2019, were primarily attributable to the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), during the 2017-18 fiscal year. GASB 75 requires the full recognition of other postemployment benefits payables, which were previously not recorded in university financial statements.

Factors Impacting Financial Condition

Our analyses of university data identified factors that generally impact the overall financial condition of universities. Analyses of factors such as State appropriations, student tuition and fees, and student enrollment provide meaningful information regarding the universities' financial health and condition. However, to determine the factors' impact on the financial health and condition of the universities, no single factor should be analyzed without considering other factors and financial and performance data.

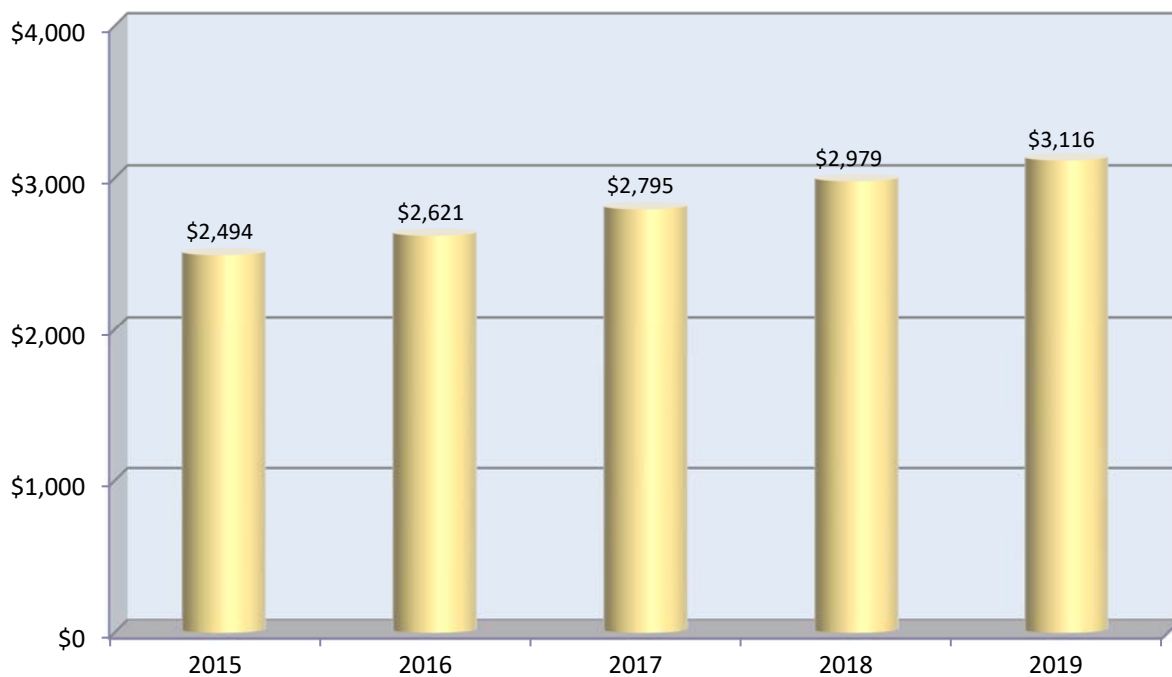
For purposes of this report, we analyzed three factors impacting university financial health and condition, including non-capital State appropriations, student tuition and fees, and student enrollment as measured in FTEs. Pursuant to State law,⁵ legislative allocations of funds appropriated to State universities are based on planned enrollments and categories of programs and associated costs. Applicable programs for each university are determined based on the university's assigned mission and may include, in

⁵ Section 1011.90, Florida Statutes.

addition to instructional programs, research and public services programs. State law⁶ also provides for student tuition and fees for activity, health, athletic, tuition differential, parking, and financial aid for those students not exempt from such fees or otherwise eligible for waiver of those fees.

Non-Capital State Appropriations. Chart 9 shows that State non-capital appropriations to State universities steadily increased from \$2,494 million at June 30, 2015, to \$3,116 million at June 30, 2019, representing an overall increase of 25 percent over that 5-year period.

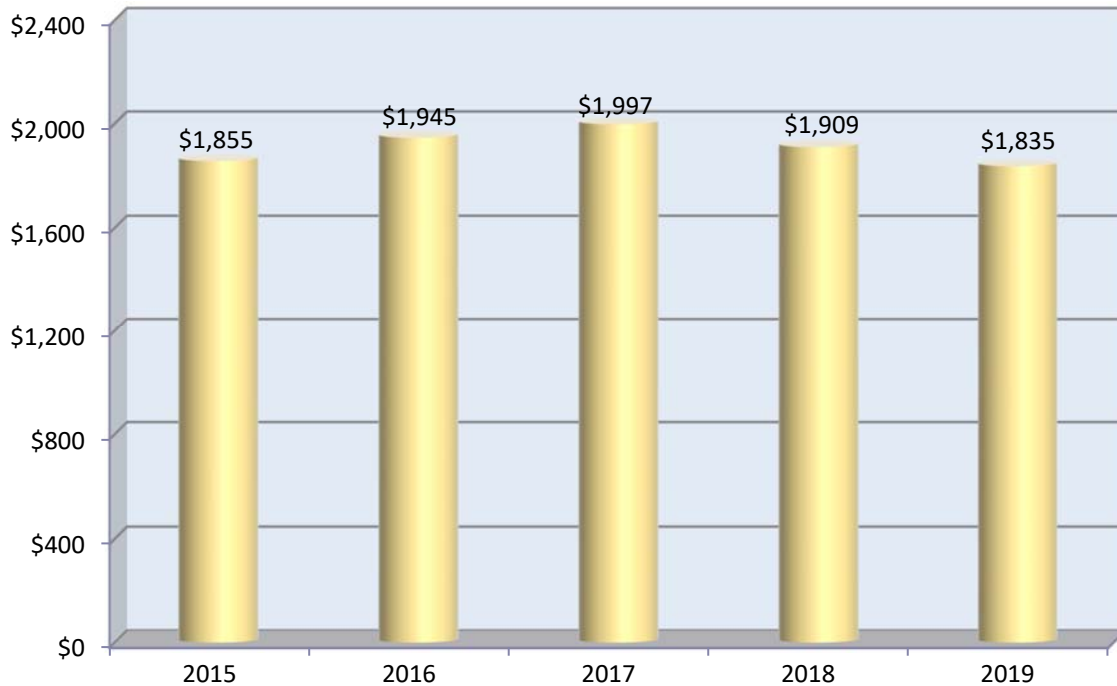
Chart 9
State Non-Capital Appropriations
for State Universities in Aggregate
For the Fiscal Years Ended June 30, 2015, Through June 30, 2019
(In Millions)



Student Tuition and Fees. From June 30, 2015, to June 30, 2019, student tuition and fees, net of scholarship allowances, slightly decreased from \$1,855 million at June 30, 2015, to \$1,835 million at June 30, 2019, representing an overall decrease of 1 percent over that period. The decrease from June 30, 2018, to June 30, 2019, occurred because of scholarship allowance increases that exceeded tuition and fee increases during the 2018-19 fiscal year. Chart 10 illustrates the aggregate amounts of tuition and fees, net of scholarship allowances, for the State universities for the 5 fiscal years ended June 30, 2015, through June 30, 2019.

⁶ Section 1009.24, Florida Statutes.

Chart 10
Tuition and Fees, Net of Scholarship Allowances
for State Universities in Aggregate
For the Fiscal Years Ended June 30, 2015, Through June 30, 2019
(In Millions)



Enrollment. Over 5 years, Statewide student enrollment increased 7 percent, from 294,774 for the 2014-15 fiscal year to 315,520 for the 2018-19 fiscal year. As shown in Table 1, all 12 universities experienced enrollment growth during that period. Two universities (UF and UCF) each experienced enrollment growth of more than 10 percent and 5,000 FTE students.

Fluctuations in student enrollment and the related impact on tuition generated by enrollment differences from year to year can make university planning and budgeting decisions for staffing and other activities more challenging.

Table 1
Full-Time Equivalent Enrollment by State University
For the Fiscal Years Ended June 30, 2015, Through June 30, 2019

| University | Fiscal Year Ended June 30 | | | | |
|--------------------------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1 Florida Polytechnic University | 520 | 888 | 1,256 | 1,372 | 1,400 |
| 2 University of West Florida | 10,150 | 10,176 | 10,365 | 10,444 | 10,770 |
| 3 University of South Florida | 42,236 | 42,905 | 42,933 | 43,756 | 43,840 |
| 4 New College of Florida | 956 | 964 | 963 | 958 | 980 |
| 5 Florida Agricultural and Mechanical University | 9,885 | 9,618 | 9,380 | 9,591 | 10,560 |
| 6 Florida Atlantic University ^a | 23,914 | 24,488 | 24,831 | 24,920 | 25,310 |
| 7 University of Florida ^b | 46,700 | 48,113 | 49,812 | 50,631 | 52,130 |
| 8 Florida International University ^a | 44,272 | 44,641 | 45,666 | 46,935 | 46,940 |
| 9 University North Florida | 13,666 | 13,400 | 13,771 | 14,383 | 13,950 |
| 10 University Central Florida ^b | 51,314 | 52,815 | 54,292 | 56,334 | 56,460 |
| 11 Florida Gulf Coast University | 12,267 | 12,551 | 12,696 | 12,996 | 12,960 |
| 12 Florida State University | 38,894 | 38,928 | 39,590 | 39,650 | 40,220 |
| Total | <u>294,774</u> | <u>299,487</u> | <u>305,555</u> | <u>311,970</u> | <u>315,520</u> |
| Average for State Universities in Aggregate | 24,565 | 24,957 | 25,463 | 25,998 | 26,293 |

^a Increase during the 5-year period exceeded both 5 percent and 1,000 FTEs.

^b Increase during the 5-year period exceeded both 10 percent and 5,000 FTEs.

Source: Summary of State Education and General Operating Appropriations and Actual FTE Students.

Trends – Long-Term Debt

The university financial statements present university liabilities in order of expected maturity. A liability's expected maturity is based on the date resources (i.e., cash) are expected to be used to pay, or liquidate, the liability. For each class of liabilities, the expected maturity for purposes of determining order of presentation on the university financial statements is generally based on the average expected maturity for all liabilities within that class.

Long-term liabilities include both long-term debt (such as bonds, notes, and loans payable) and other long-term liabilities (such as compensated absences, other postemployment benefits, and pensions). Some long-term liabilities have multiple maturity dates. For example, long-term debt is generally liquidated over a period of time, with payments made annually to liquidate a predetermined portion of the debt each year. In such instances, the portions of the liability with maturity dates are segmented for financial statement presentation into two components, the amount expected to mature (i.e., be paid) within 1 year (i.e., current liabilities) and the amount expected to mature in periods of more than 1 year (i.e., non-current liabilities).

Generally, universities extinguish their long-term debt through various pledged resources such as future housing rental revenues, traffic and parking fees, food service revenues, and assessed student

transportation fees. As of June 30, 2019, pledged resources were generally sufficient to service (i.e., pay) the amount of long-term debt owed for each university.

Aggregated long-term debt reported for all universities as outstanding as of June 30, 2019, totaled \$1,209 million and consisted of:

- Capital improvement debt payable totaling \$797 million.
- Bonds payable totaling \$259 million.
- Loans payable totaling \$129 million.
- Certificates of participation payable totaling \$24 million.

Table 2 lists, in order of amount, each university's long-term debt at June 30, 2019. As shown, two universities (FPU and UWF) had no long-term debt and the university with the most long-term debt was FSU. The average long-term debt for all universities in aggregate was \$101 million. For comparison purposes, Table 2 also includes each university's long-term debt for the previous 4 fiscal years.

Table 2
Long-term Debt by State University
As of June 30, 2015, 2016, 2017, 2018, and 2019
(In Millions)

| University | Long-Term Debt at June 30 | | | | |
|--------------------------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1 Florida Polytechnic University | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 University of West Florida | - | - | - | - | - |
| 3 University of South Florida | 25 | 22 | 20 | 18 | 15 |
| 4 New College of Florida | 27 | 26 | 26 | 25 | 24 |
| 5 Florida Agricultural and Mechanical University | 67 | 63 | 60 | 56 | 62 |
| 6 Florida Atlantic University | 81 | 76 | 72 | 67 | 63 |
| 7 University of Florida | 178 | 169 | 158 | 143 | 164 |
| 8 Florida International University | 174 | 165 | 158 | 151 | 143 |
| 9 University of North Florida | 170 | 164 | 161 | 155 | 148 |
| 10 University of Central Florida | 197 | 187 | 177 | 181 | 169 |
| 11 Florida Gulf Coast University | 221 | 210 | 199 | 193 | 186 |
| 12 Florida State University | 291 | 278 | 265 | 250 | 235 |
| Total | <u>\$1,431</u> | <u>\$1,360</u> | <u>\$1,296</u> | <u>\$1,239</u> | <u>\$1,209</u> |
| Average for State Universities in Aggregate | \$119 | \$113 | \$108 | \$103 | \$101 |

Chart 11 shows the aggregated long-term debt for all universities as of June 30, 2015, 2016, 2017, 2018, and 2019. As shown, long-term debt decreased at an average annual rate of 3 percent over those 5 years.

Chart 11
Long-Term Debt for State Universities in Aggregate
As of June 30, 2015, 2016, 2017, 2018, and 2019
(In Millions)



This decrease was primarily because universities met the scheduled debt repayment requirements and were able to meet their operational and capital needs using current resources without issuing additional debt.

Trends – Investments

An investment is a security or other asset that a government holds primarily for the purpose of income or profit. Investments enable a government to generate cash from earnings or through liquidation (e.g., maturity or sale) of the investments. Cash generated from investments enable a university to purchase goods and services necessary for the university to fulfill its mission and to make debt service payments on debt incurred by the university to fund capital and other projects.

State law,⁷ authorizes universities to invest funds with the State Treasury and State Board of Administration and requires universities to comply with statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the statutory requirements⁸ related to the investment of local government surplus funds. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Other investments are classified as unrestricted.

Table 3 lists each university's total investments.

⁷ Section 1011.42(5), Florida Statutes.

⁸ Chapter 218, Part IV, Florida Statutes.

Table 3
Total Investments by State University
As of June 30, 2015, 2016, 2017, 2018, and 2019
(In Millions)

| University | As of June 30 | | | | |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1 University of Florida | \$1,343 | \$1,536 | \$1,619 | \$1,787 | \$1,955 |
| 2 Florida State University | 671 | 760 | 728 | 733 | 790 |
| 3 University of South Florida | 580 | 632 | 677 | 738 | 776 |
| 4 University of Central Florida | 512 | 530 | 558 | 569 | 575 |
| 5 Florida International University | 290 | 314 | 338 | 366 | 406 |
| 6 Florida Atlantic University | 215 | 233 | 250 | 275 | 283 |
| 7 Florida Gulf Coast University | 83 | 89 | 96 | 98 | 110 |
| 8 University of West Florida | 111 | 120 | 116 | 109 | 101 |
| 9 University of North Florida | 78 | 89 | 98 | 105 | 104 |
| 10 Florida Polytechnic University | 48 | 47 | 49 | 45 | 57 |
| 11 Florida Agricultural and Mechanical University | 65 | 50 | 40 | 47 | 48 |
| 12 New College of Florida | 10 | 11 | 9 | 15 | 17 |
| Total Investments at Year End | <u>\$4,006</u> | <u>\$4,411</u> | <u>\$4,578</u> | <u>\$4,887</u> | <u>\$5,222</u> |
| Average for State Universities in Aggregate | \$334 | \$368 | \$382 | \$407 | \$435 |

As listed in Table 3 and shown in Chart 12, investments at June 30, 2019, totaled \$5,222 million, which is a 6.9 percent increase over the investments at June 30, 2018. As also shown by the table and chart, total investments steadily increased over the 5-year period of June 30, 2015, to June 30, 2019, by an average of 6.1 percent. Investments primarily grew as a result of the State University System's increase in investment income and the fair value of investments, as driven by market performance.

Chart 12
Total Investments for State Universities in Aggregate
As of June 30, 2015, 2016, 2017, 2018, and 2019
(In Millions)



Of the universities' total investments of \$5,222 million as of June 30, 2019, \$4,632 million represented unrestricted investments and \$590 million represented restricted investments.

Table 4 shows the types of investments for all 12 State universities as of June 30, 2019.

Table 4
State University Investments by Types
As of June 30, 2019
(In Millions)

| Investment Type | Amount Invested |
|---------------------------------------------------|-----------------------|
| State Treasury Special Purpose Investment Account | \$2,657 |
| Private Equity Funds | 938 |
| Bond Mutual Funds | 651 |
| Equity Mutual Funds | 275 |
| Other ^a | 701 |
| Total | <u>\$5,222</u> |

^a Other investment types include, for example, money market funds, bonds, and State Board of Administration accounts.

Future Financial Trends Considerations

During the 2019 Legislative Session, State law⁹ was amended to require each university:

- To maintain a minimum carryforward balance of at least 7 percent of its State operating budget. If a State university fails to maintain that balance, the university is to submit a plan to the Board of Governors (BOG) to attain the minimum balance within the next fiscal year.
- That retains a State operating fund carryforward balance in excess of the 7 percent minimum to submit a spending plan for its excess carryforward balance to the university's board of trustees, specifying requirements and authorized expenditures in such spending plan, for review, approval, or if necessary, amendment by September 1, 2020, and each September 1 thereafter.¹⁰ The BOG is to review, approve, and amend, if necessary, each university's carryforward spending plan by October 1, 2020, and each October 1 thereafter.¹¹
- Chief financial officer to annually certify, by September 30, the unexpended amount of carryforward amounts appropriated to the university from the General Revenue Fund, the Educational Enhancement Trust Fund, and the Education/General Student and Other Fees Trust Fund as of June 30 of the previous fiscal year.

The amended State law also authorizes a university to spend the minimum carryforward balance of 7 percent if a demonstrated emergency exists and the plan is approved by the university's board of trustees and the BOG.

⁹ Chapter 2019-103, Laws of Florida.

¹⁰ Chapter 2020-117, Laws of Florida, extended the review, approval, and amendment date from September 1 to September 30.

¹¹ Chapter 2020-117, Laws of Florida, extended the review, approval, and amendment date from October 1 to November 15.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this report was to analyze significant financial indicators and identify financial trends based on information reported in State university financial statements and audit reports.

The scope of this report included financial information for the fiscal year ended June 30, 2019, included in the financial statements and our audit reports for the 12 universities. Financial information for the 4 previous fiscal years was also considered for the purpose of comparative analysis.

Our methodology included a compilation of financial data, calculation of various financial indicator ratios, and summaries of identified trends. We believe that the procedures performed provide a reasonable basis for the summaries of financial trends included in this report.

AUTHORITY

Pursuant to the provisions of Section 11.45(3)(a), Florida Statutes, I have directed that this report be prepared to present the summary of financial trends identified in university audit reports for the fiscal year ended June 30, 2019.

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

Sherrill F. Norman, CPA
Auditor General