

Report No. 2022-130  
February 2022

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA POLYTECHNIC UNIVERSITY**

For the Fiscal Year Ended  
June 30, 2021



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2020-21 fiscal year, Dr. Randy K. Avent served as President of Florida Polytechnic University and the following individuals served as Members of the Board of Trustees:

Clifford "Cliff" K. Otto, Chair from 8-1-20, Vice Chair through 7-31-20	Beth Kigel from 7-16-20
R. Mark Bostick, Vice Chair from 8-1-20	Dr. Narendra Kini from 11-5-20 <sup>a</sup>
Donald H. Wilson through 9-16-20, <sup>a</sup> Chair through 7-31-20	Frank T. Martin through 7-15-20
Dr. Ala J. Alnaser from 8-18-20 <sup>b</sup>	Dr. Laine Powell from 7-16-20 <sup>d</sup>
Samantha Ashby from 4-22-21 <sup>c</sup>	Dr. Louis S. Saco through 7-5-20 <sup>e</sup>
Dr. Victoria Astley through 8-17-20 <sup>b</sup>	Dr. W. Earl Sasser
Connor Coddington through 4-21-21 <sup>c</sup>	Lyn D. Stanfield from 11-5-20 <sup>e</sup>
	Robert W. Stork
	Gary C. Wendt

<sup>a</sup> Trustee Position vacant 9-17-20, through 11-4-20.

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

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

<sup>d</sup> Trustee Position vacant 7-1-20, through 7-15-20.

<sup>e</sup> Trustee Position vacant 7-6-20, through 11-4-20.

Note: Two Trustee positions were vacant the entire period.

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

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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

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**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

**FLORIDA POLYTECHNIC 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 Polytechnic 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 Polytechnic 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, 2021. 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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111 West Madison Street  
Tallahassee, Florida 32399-1450



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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 Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, 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 discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Polytechnic University and of its discretely presented component unit as of June 30, 2021, 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.

### ***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 February 23, 2022, on our consideration of the Florida Polytechnic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT**

**AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.** The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Polytechnic University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 23, 2022

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

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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, 2021, 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, 2021, and June 30, 2020.

### **FINANCIAL HIGHLIGHTS**

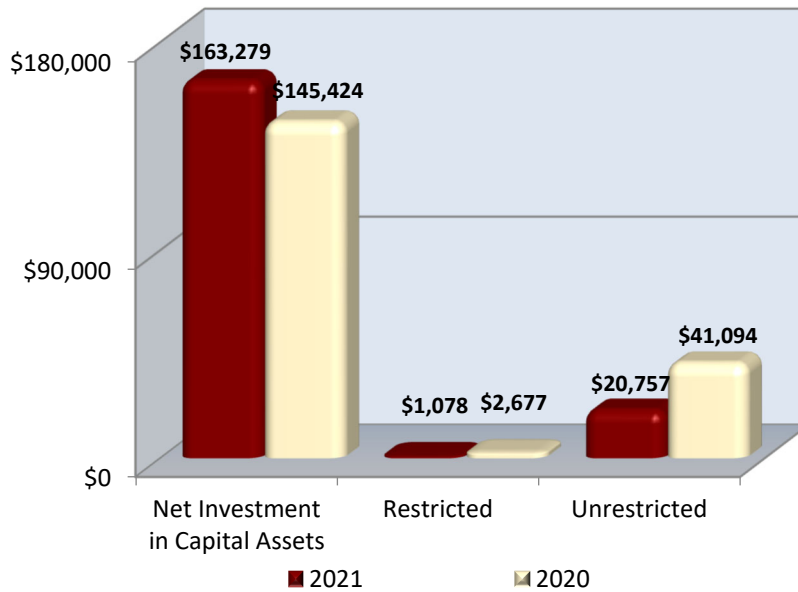
The University's assets and deferred outflows of resources totaled \$217.4 million at June 30, 2021. This balance reflects a \$6.1 million, or 2.7 percent decrease as compared to the 2019-20 fiscal year, resulting from a decrease in investments as resources are used. While assets and deferred outflows of resources decreased, liabilities and deferred inflows of resources also decreased by \$2 million, or 5.8 percent, totaling \$32.3 million at June 30, 2021, resulting primarily from payments on construction contracts payable. As a result, the University's net position decreased by \$4.1 million, resulting in a year-end balance of \$185.1 million.

The University's operating revenues totaled \$8 million for the 2020-21 fiscal year, representing a 21 percent increase compared to the 2019-20 fiscal year due mainly to increased revenues in sales and services of auxiliary enterprises. Operating expenses totaled \$61.3 million for the 2020-21 fiscal year, representing a decrease of 5.7 percent as compared to the 2019-20 fiscal year due mainly to salary and benefits savings.

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, 2021, and June 30, 2020, is shown in the following graph:

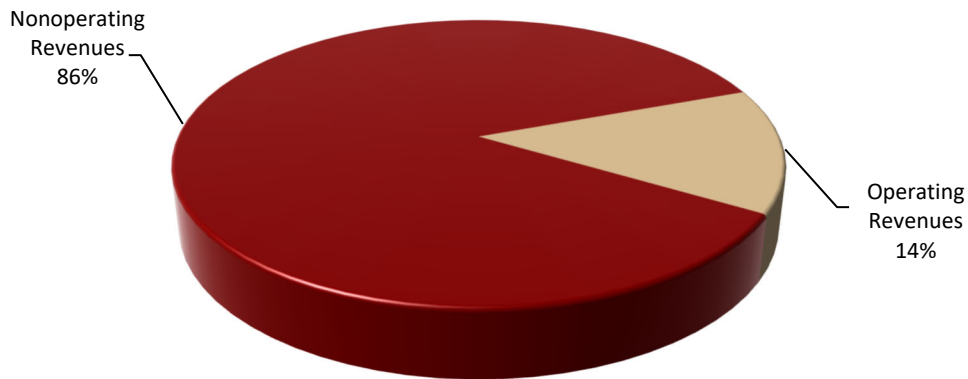


**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2020-21 fiscal year:

**Total Revenues  
2020-21 Fiscal Year**



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 35, the University’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component unit. Based on the application of the criteria for determining component units, the Florida Polytechnic University Foundation,

Inc., (Foundation) is included within the University reporting entity as a discretely presented component unit.

Information regarding the Foundation's separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component unit.

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

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

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

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

(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 39,878	\$ 34,281
Capital Assets, Net	164,196	150,320
Other Noncurrent Assets	346	28,136
<b>Total Assets</b>	<u>204,420</u>	<u>212,737</u>
<b>Deferred Outflows of Resources</b>	<u>12,968</u>	<u>10,711</u>
<b>Liabilities</b>		
Current Liabilities	2,976	7,334
Noncurrent Liabilities	25,177	24,353
<b>Total Liabilities</b>	<u>28,153</u>	<u>31,687</u>
<b>Deferred Inflows of Resources</b>	<u>4,121</u>	<u>2,566</u>
<b>Net Position</b>		
Net Investment in Capital Assets	163,279	145,424
Restricted	1,078	2,677
Unrestricted	20,757	41,094
<b>Total Net Position</b>	<u>\$ 185,114</u>	<u>\$ 189,195</u>

The University's Statement of Net Position changes were the result of the following factors:

- Capital Assets increased \$13.9 million due to the increase in construction in progress for the ARC building offset by additions to accumulated depreciation.
- Current liabilities decreased \$4.4 million primarily due to timing of payments for construction contracts payables.

- Deferred outflows and inflows increased \$2.3 million and \$1.6 million, respectively, for updated actuarial assumptions used in calculating pension and OPEB liabilities.

### **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 2020-21 and 2019-20 fiscal years:

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

	<b>2020-21</b>	<b>2019-20</b>
Operating Revenues	\$ 8,001	\$ 6,614
Less, Operating Expenses	61,292	64,978
<b>Operating Loss</b>	(53,291)	(58,364)
Net Nonoperating Revenues	49,128	50,788
<b>Loss Before Other Revenues</b>	(4,163)	(7,576)
Other Revenues	82	208
<b>Net Decrease in Net Position</b>	(4,081)	(7,368)
Net Position, Beginning of Year	189,195	196,563
<b>Net Position, End of Year</b>	<b>\$ 185,114</b>	<b>\$ 189,195</b>

### **Operating Revenues**

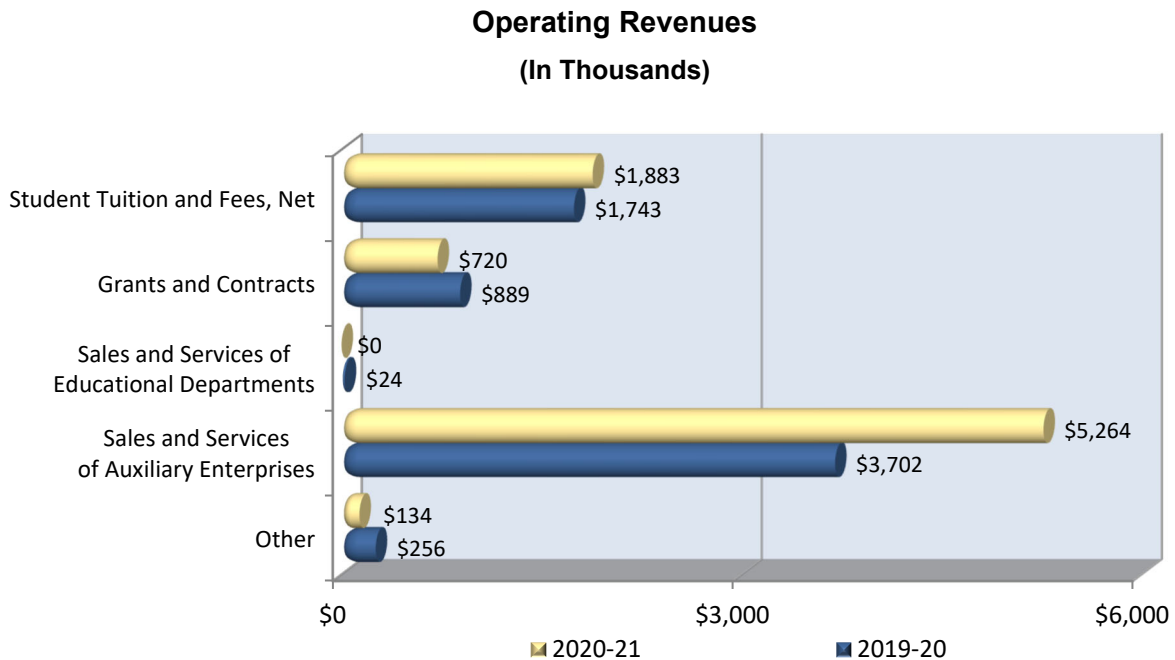
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2020-21 and 2019-20 fiscal years:

#### **Operating Revenues For the Fiscal Years**

	<b>2020-21</b>	<b>2019-20</b>
Student Tuition and Fees, Net	\$ 1,883	\$ 1,743
Grants and Contracts	720	889
Sales and Services of Educational Departments	-	24
Sales and Services of Auxiliary Enterprises	5,264	3,702
Other	134	256
<b>Total Operating Revenues</b>	<b>\$ 8,001</b>	<b>\$ 6,614</b>

The following chart presents the University's operating revenues for the 2020-21 and 2019-20 fiscal years:



University operating revenue increased \$1.4 million due to increased enrollment and an increase in sales and services of auxiliary enterprises which declined in the prior fiscal year due to COVID-19.

**Operating Expenses**

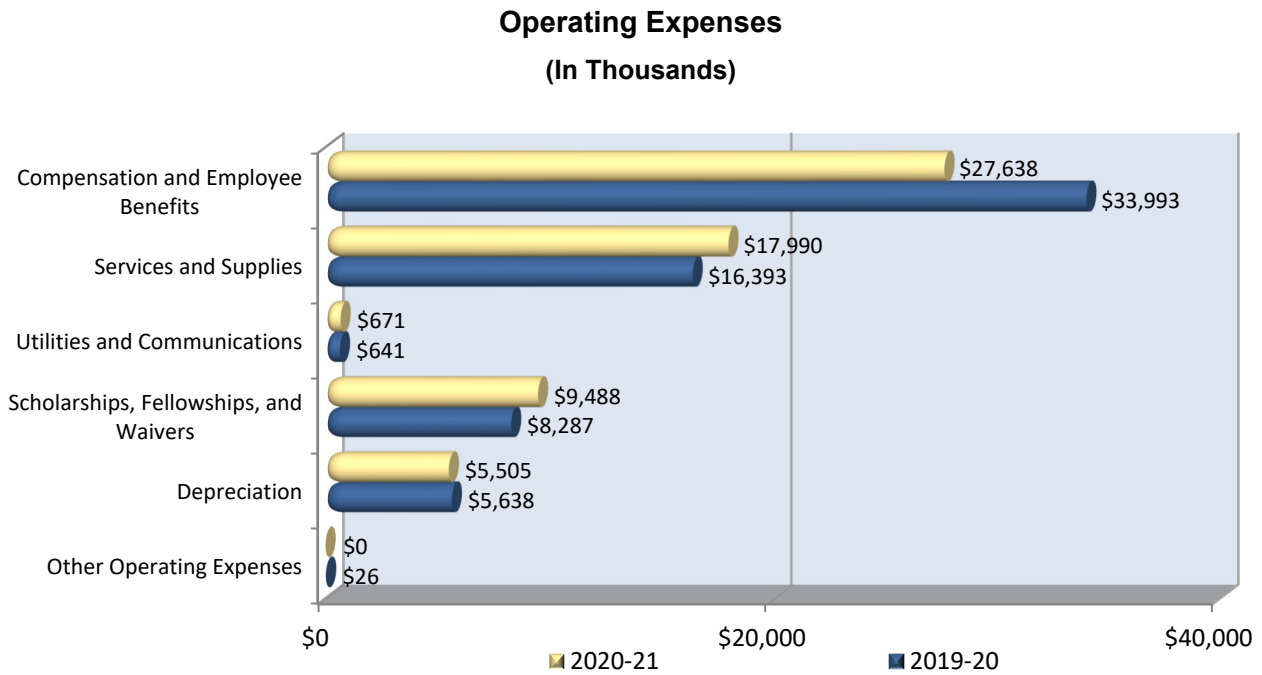
Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University 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 2020-21 and 2019-20 fiscal years:

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

	<u>2020-21</u>	<u>2019-20</u>
Compensation and Employee Benefits	\$ 27,638	\$ 33,993
Services and Supplies	17,990	16,393
Utilities and Communications	671	641
Scholarships, Fellowships, and Waivers	9,488	8,287
Depreciation	5,505	5,638
Other Operating Expenses	-	26
<b>Total Operating Expenses</b>	<b><u>\$ 61,292</u></b>	<b><u>\$ 64,978</u></b>

The following chart presents the University's operating expenses for the 2020-21 and 2019-20 fiscal years:



Changes in operating expenses were the result of the decrease in compensation and employee benefits mainly due to pension and OPEB expense.

**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, 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 2020-21 and 2019-20 fiscal years:

**Nonoperating Revenues (Expenses)**  
**For the Fiscal Years**  
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
State Noncapital Appropriations	\$ 37,986	\$ 38,744
Federal and State Student Financial Aid	9,706	9,076
Investment Income	1,158	1,650
Other Nonoperating Revenues	2,636	413
Unrealized Gain (Loss) on Investments	(2,353)	1,188
Loss on Disposal of Capital Assets	-	(4)
Interest on Capital Asset-Related Debt	(5)	(19)
Other Nonoperating Expenses	-	(260)
<b>Net Nonoperating Revenues</b>	<u><u>\$ 49,128</u></u>	<u><u>\$ 50,788</u></u>

Changes in the nonoperating revenues were the result of the following factors:

- Unrealized losses increased \$3.5 million due to lower than expected fair value rate of the Special Purpose Investment Account.
- Other nonoperating revenues increased \$2.2 million due to awards of Federal Higher Education Emergency Relief Funds.

### **Other Revenues**

This category is composed of State capital appropriations. The following summarizes the University's other revenues for the 2020-21 and 2019-20 fiscal years:

<b>Other Revenues For the Fiscal Years</b>		
<b>(In Thousands)</b>		
	<b>2020-21</b>	<b>2019-20</b>
State Capital Appropriations	\$ 82	\$ 208

### **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 2020-21 and 2019-20 fiscal years:

<b>Condensed Statement of Cash Flows</b>		
<b>For the Fiscal Years</b>		
<b>(In Thousands)</b>		
	<b>2020-21</b>	<b>2019-20</b>
Cash Provided (Used) by:		
Operating Activities	\$ (49,101)	\$ (45,598)
Noncapital Financing Activities	50,329	47,972
Capital and Related Financing Activities	(18,286)	(4,658)
Investing Activities	17,890	2,297
<b>Net Increase in Cash and Cash Equivalents</b>	832	13
Cash and Cash Equivalents, Beginning of Year	218	205
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,050</b>	<b>\$ 218</b>

Major sources of funds came from State noncapital appropriations (\$38 million), Federal and State Student Financial Aid (\$9.7 million), sales and services of auxiliary enterprises (\$5.3 million), State capital appropriations (\$5.1 million), Federal Direct Loan program receipts (\$2.3 million), and net student tuition and fees (\$2 million). Major uses of funds were for payments made to and behalf of employees

(\$27.6 million), purchase or construction of capital assets (\$23.1 million), payments to suppliers (\$18.5 million), payments to and on behalf of students for scholarships and fellowships (\$9.5 million), and Federal Direct Loan program disbursements (\$2.3 million).

<b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b>
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**Capital Assets**

At June 30, 2021, the University had \$200.4 million in capital assets, less accumulated depreciation of \$36.2 million, for net capital assets of \$164.2 million. Depreciation charges for the current fiscal year totaled \$5.5 million. The following table summarizes the University’s capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30</b>		
<b>(In Thousands)</b>		
	<b>2021</b>	<b>2020</b>
Land	\$ 18,156	\$ 18,156
Construction in Progress	31,107	11,913
Buildings	83,042	85,180
Infrastructure and Other Improvements	27,402	29,008
Furniture and Equipment	1,760	2,719
Other Capital Assets	2,729	3,344
<b>Capital Assets, Net</b>	<b>\$164,196</b>	<b>\$150,320</b>

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, 2021, were incurred on the following projects: the ARC building and the Reclaimed Water Project. The University’s construction commitments at June 30, 2021, are as follows:

	<b>Amount</b>
	<b><u>(In Thousands)</u></b>
Total Committed	\$ 35,036
Completed to Date	(31,107)
<b>Balance Committed</b>	<b>\$ 3,929</b>

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

**Debt Administration**

As of June 30, 2021, the University had \$82,000 in outstanding capital leases payable, representing a decrease of \$224,000, or 73.2 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>2021</u>	<u>2020</u>
Installment Purchases	\$ -	\$ 249
Capital Leases	82	57
<b>Total</b>	<u>\$ 82</u>	<u>\$ 306</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 economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2021-22 fiscal year. The budget that the Florida Legislature adopted for the 2021-22 fiscal year remained relatively status quo for the State universities, however, for the first time, Florida Polytechnic University received \$4.3 million in performance-based funding. The University expects an increase in tuition, fees, and auxiliary revenues due to increased enrollment.

### 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 Penelope Farley, Assistant Vice President for Financial & Administration, and University Controller, Florida Polytechnic University, 4700 Research Way, Lakeland, Florida 33805-8531.



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# BASIC FINANCIAL STATEMENTS

**FLORIDA POLYTECHNIC UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**

June 30, 2021

	<b>University</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,050,128	\$ 801,388
Investments	36,269,134	411,714
Accounts Receivable, Net	154,380	-
Contributions Receivable, Net	-	315,500
Interest Receivable	26,940	-
Contracts and Grants Receivable	1,420,779	-
Due from State	290,757	-
Other Current Assets	665,744	-
<b>Total Current Assets</b>	<b>39,877,862</b>	<b>1,528,602</b>
Noncurrent Assets:		
Restricted Investments	346,541	6,844,580
Contributions Receivable, Net	-	125,500
Depreciable Capital Assets, Net	114,932,461	-
Nondepreciable Capital Assets	49,263,395	-
<b>Total Noncurrent Assets</b>	<b>164,542,397</b>	<b>6,970,080</b>
<b>Total Assets</b>	<b>204,420,259</b>	<b>8,498,682</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	6,283,443	-
Pensions	6,684,368	-
<b>Total Deferred Outflows of Resources</b>	<b>12,967,811</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	660,230	27,613
Construction Contracts Payable	834,720	-
Salary and Wages Payable	966,957	-
Deposits Payable	61,935	-
Due to State	149	-
Unearned Revenue	107,004	-
Other Current Liabilities	-	2,750,000
Long-Term Liabilities - Current Portion:		
Capital Leases Payable	29,073	-
Compensated Absences Payable	154,357	-
Other Postemployment Benefits Liability	122,436	-
Net Pension Liability	39,151	-
<b>Total Current Liabilities</b>	<b>2,976,012</b>	<b>2,777,613</b>

	<u>University</u>	<u>Component Unit</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Leases Payable	53,191	-
Compensated Absences Payable	1,389,216	-
Other Postemployment Benefits Liability	7,423,562	-
Net Pension Liability	16,310,795	-
<b>Total Noncurrent Liabilities</b>	<u>25,176,764</u>	<u>-</u>
<b>Total Liabilities</b>	<u>28,152,776</u>	<u>2,777,613</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	3,444,690	-
Pensions	676,151	-
<b>Total Deferred Inflows of Resources</b>	<u>4,120,841</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	163,278,872	-
Restricted for Nonexpendable:		
Endowment	-	3,568,738
Restricted for Expendable:		
Grants and Loans	346,541	-
Capital Projects	732,133	-
Other	-	880,969
Unrestricted	20,756,907	1,271,362
<b>TOTAL NET POSITION</b>	<u>\$ 185,114,453</u>	<u>\$ 5,721,069</u>

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

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**FLORIDA POLYTECHNIC 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, 2021**

	<b>University</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,894,293	\$ 1,883,384	\$ -
Federal Grants and Contracts	507,129	-
State and Local Grants and Contracts	35,470	-
Nongovernmental Grants and Contracts	176,579	-
Sales and Services of Auxiliary Enterprises	5,264,145	-
Contributions, Net	-	1,279,148
Other Operating Revenues	134,290	104
<b>Total Operating Revenues</b>	<b>8,000,997</b>	<b>1,279,252</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	27,637,793	-
Services and Supplies	17,990,197	362,745
Utilities and Communications	670,575	-
Scholarships, Fellowships, and Waivers	9,488,003	549,427
Depreciation	5,505,214	-
Other Operating Expenses	-	128,910
<b>Total Operating Expenses</b>	<b>61,291,782</b>	<b>1,041,082</b>
<b>Operating Income (Loss)</b>	<b>(53,290,785)</b>	<b>238,170</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	37,986,216	-
Federal and State Student Financial Aid	9,705,930	-
Investment Income	1,157,839	969,557
Other Nonoperating Revenues	2,636,934	-
Unrealized Gain (Loss) on Investment	(2,353,224)	502,763
Bad Debt Expense	-	(37,389)
Interest on Capital Asset-Related Debt	(5,399)	-
<b>Net Nonoperating Revenues</b>	<b>49,128,296</b>	<b>1,434,931</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(4,162,489)</b>	<b>1,673,101</b>
State Capital Appropriations	82,324	-
<b>Increase (Decrease) in Net Position</b>	<b>(4,080,165)</b>	<b>1,673,101</b>
Net Position, Beginning of Year	189,194,618	4,047,968
<b>Net Position, End of Year</b>	<b>\$ 185,114,453</b>	<b>\$ 5,721,069</b>

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

**FLORIDA POLYTECHNIC UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2021**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 1,999,692
Grants and Contracts	673,610
Sales and Services of Auxiliary Enterprises	5,264,145
Payments to Employees	(27,563,046)
Payments to Suppliers for Goods and Services	(18,537,011)
Payments to Students for Scholarships and Fellowships	(9,488,003)
Other Operating Disbursements	(1,450,142)
<b>Net Cash Used by Operating Activities</b>	<b>(49,100,755)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	37,986,216
Federal and State Student Financial Aid	9,705,930
Federal Direct Loan Program Receipts	2,328,219
Federal Direct Loan Program Disbursements	(2,328,219)
Other Nonoperating Receipts	2,636,933
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>50,329,079</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	5,079,860
Purchase or Construction of Capital Assets	(23,087,829)
Principal Paid on Capital Debt and Leases	(272,502)
Interest Paid on Capital Debt and Leases	(5,399)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(18,285,870)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	76,300,425
Purchases of Investments	(59,694,470)
Investment Income	1,284,215
<b>Net Cash Provided by Investing Activities</b>	<b>17,890,170</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>832,624</b>
Cash and Cash Equivalents, Beginning of Year	217,504
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,050,128</b>

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (53,290,785)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,505,214
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,041,243)
Due from Component Unit	116,308
Other Assets	(132,911)
Accounts Payable	256,634
Salaries and Wages Payable	(58,456)
Deposits Payable	(16,818)
Compensated Absences Payable	(34,545)
Unearned Revenue	(571,938)
Other Liabilities	37
Other Postemployment Benefits Liability	(1,335,878)
Net Pension Liability	2,205,745
Deferred Outflows of Resources Related to Other Postemployment Benefits	(2,929,796)
Deferred Inflows of Resources Related to Other Postemployment Benefits	1,782,279
Deferred Outflows of Resources Related to Pensions	672,596
Deferred Inflows of Resources Related to Pensions	(227,198)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (49,100,755)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES</b>	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (2,353,224)
The University entered into a capital lease which was recognized on the statement of net position but is not a cash transaction for the statement of cash flows.	\$ 49,081

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 Annual Comprehensive Financial Report by discrete presentation.

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Florida Polytechnic University Foundation, Inc. (Foundation), a legally separate entity, is included within the University's reporting entity as a discretely presented component unit and is governed by a separate board. Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Foundation solicits, collects, manages, and directs contributions to various academic departments and programs of the University, and assists the University in fundraising, and public relations.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. Additional information on the University's discretely presented component unit, including copies of audit reports, is available by contacting the University Controller.

**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 uses the economic resources measurement focus and the accrual basis of accounting, and follows GASB standards of accounting and financial reporting.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied the “Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating

the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

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

**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.

**Capital Assets**. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, 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, \$100,000 for infrastructure and other improvements, and \$250,000 for building renovations, except that all new building and projects adding new square footage are capitalized. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 15 to 30 years
- Furniture and Equipment – 3 to 15 years
- Library Resources – 10 years
- Other Capital Assets – 10 years

**Noncurrent Liabilities**. Noncurrent liabilities include capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

**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. Investments**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements

governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to 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.

All of the University's recurring fair value measurements as of June 30, 2021, with the State Treasury are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2021, are reported 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>				
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 36,615,675	\$ -	\$ -	\$ 36,615,675
<b>Total investments</b>	<u>\$ 36,615,675</u>			

### **External Investment Pools.**

The University reported investments at fair value totaling \$36,615,675 at June 30, 2021, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities.

Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.6 years, and fair value factor of 0.984 at June 30, 2021. 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 Annual Comprehensive Financial Report.

### **Component Unit Investments.**

The University's discretely presented component unit's investments at June 30, 2021 are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Equity	\$ 5,288,372	\$ 5,288,372	\$ -	\$ -
Bonds	1,967,922	1,967,922	-	-
<b>Total investments by fair value level</b>	<b>\$ 7,256,294</b>	<b>\$ 7,256,294</b>	<b>\$ -</b>	<b>\$ -</b>

### **3. Receivables**

**Accounts, Interest, and Contracts and Grants Receivables.** Accounts, interest, and contracts and grants receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and interest accrued on investments. As of June 30, 2021, the University reported the following amounts as accounts, interest, and contracts and grants receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 1,420,779
Student Tuition and Fees, Net	154,380
Interest	26,940
<b>Total Receivables, Net</b>	<b>\$ 1,602,099</b>

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts is reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of \$46,890 at June 30, 2021.

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

### **4. Due From State**

The amount due from State consists of \$290,757 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

## 5. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, 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	\$ 18,156,039	\$ -	\$ -	\$ 18,156,039
Construction in Progress	11,913,386	19,193,970	-	31,107,356
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 30,069,425</b>	<b>\$ 19,193,970</b>	<b>\$ -</b>	<b>\$ 49,263,395</b>
Depreciable Capital Assets:				
Buildings	\$ 97,268,009	\$ -	\$ -	\$ 97,268,009
Infrastructure and Other Improvements	38,646,106	-	-	38,646,106
Furniture and Equipment	8,543,343	187,113	-	8,730,456
Library Resources	16,358	-	-	16,358
Other Capital Assets	6,428,163	-	-	6,428,163
<b>Total Depreciable Capital Assets</b>	<b>150,901,979</b>	<b>187,113</b>	<b>-</b>	<b>151,089,092</b>
Less, Accumulated Depreciation:				
Buildings	\$ 12,089,220	\$ 2,136,560	\$ -	\$ 14,225,780
Infrastructure and Other Improvements	9,638,126	1,606,743	-	11,244,869
Furniture and Equipment	5,823,771	1,146,470	-	6,970,241
Library Resources	16,082	60	-	16,142
Other Capital Assets	3,084,218	615,381	-	3,699,599
<b>Total Accumulated Depreciation</b>	<b>30,651,417</b>	<b>5,505,214</b>	<b>-</b>	<b>36,156,631</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 120,250,562</b>	<b>\$ (5,318,101)</b>	<b>\$ -</b>	<b>\$ 114,932,461</b>

## 6. Unearned Revenue

Unearned revenue at June 30, 2021, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods and contracts or grants that were prepaid. As of June 30, 2021, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 57,878
Student Tuition and Fees	49,126
<b>Total Unearned Revenue</b>	<b>\$ 107,004</b>

## 7. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2021, include capital leases payable, compensated absences payable, other postemployment benefits liability, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2021, 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>
Installment Purchases Payable	\$ 248,998	\$ -	\$ 248,998	\$ -	\$ -
Capital Leases Payable	56,687	49,081	23,504	82,264	29,073
Compensated Absences Payable	1,578,118	1,257,227	1,291,772	1,543,573	154,357
Other Postemployment Benefits Liability	8,881,876	2,929,796	4,265,674	7,545,998	122,436
Net Pension Liability	14,144,201	10,235,970	8,030,225	16,349,946	39,151
<b>Total Long-Term Liabilities</b>	<b>\$ 24,909,880</b>	<b>\$ 14,472,074</b>	<b>\$ 13,860,173</b>	<b>\$ 25,521,781</b>	<b>\$ 345,017</b>

**Capital Leases Payable.** Vehicles in the amount of \$146,887 are being acquired under capital lease agreements. The stated interest rates range from 5.45 to 6.70 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 33,442
2023	24,930
2024	16,417
2025	11,389
2026	5,694
<b>Total Minimum Payments</b>	91,872
Less, Amount Representing Interest	(9,608)
<b>Present Value of Minimum Payments</b>	<b>\$ 82,264</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, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$1,543,573. The current portion of the compensated absences liability, \$154,357, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

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

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

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

The University's proportionate share of the total OPEB liability of \$7,545,998 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.07 percent, which was unchanged from its proportionate share reported as of June 30, 2020.

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

Inflation	2.60 percent
Salary increases	Varies by FRS class
Discount rate	2.66 percent
Healthcare cost trend rates	
PPO	7.78 percent for 2021, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
HMO	5.66 percent for 2021, decreasing to an ultimate rate of 4.04 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 Standard & Poor's (S&P) Municipal 20-year High Grade Rate Index. Mortality rates were based on Pub-2010 mortality tables with fully generational improvement with Scale MP-2018.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019, through July 1, 2020, adopted by the FRS.

The following changes have been made since the prior valuation:

- **Census Data** – The census data reflects changes in status for the twelve (12) month period since July 1, 2020.
- **Discount Rate** – The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.79 percent to 2.66 percent.
- **Mortality** – Mortality rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use PUB-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the Total OPEB Liability by about 5 percent.
- **Excise ("Cadillac") Tax** – The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12 percent. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13 percent.
- **Claims Costs and Premium Rates** – The assumed claims and premiums reflect the actual claims information that were provided as well as the premiums that are actually being charged to participants. Recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- **Trend Rate** – The medical trend assumption was based on the Getzen Model. Medical trend rates consistent with the August 2020 Report on Financial Outlook of the Plan were used along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.



- **Active Medical Plan Elections** – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72 percent are assumed to elect PPO coverage in retirement. The remaining 28 percent are assumed to elect HMO coverage. This assumption is based on guidance provided by the DSGI in an email on September 22, 2020. This change resulted in a small decrease in the Total OPEB Liability.

*Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	<u>1% Decrease (1.66%)</u>	<u>Current Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
University's proportionate share of the total OPEB liability	\$10,035,227	\$7,545,998	\$5,751,968

*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	\$5,515,609	\$7,545,998	\$10,487,579

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

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of \$1,293,098. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 440,892
Change of assumptions or other inputs	997,606	2,855,680
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	5,160,336	148,118
Transactions subsequent to the measurement date	125,501	-
<b>Total</b>	<b>\$ 6,283,443</b>	<b>\$ 3,444,690</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$125,501 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2022. 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>
2022	\$ 544,741
2023	544,741
2024	544,741
2025	544,741
2026	209,644
Thereafter	324,644
<b>Total</b>	<b>\$ 2,713,252</b>

**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, 2021, the University's proportionate share of the net pension liabilities totaled \$16,349,946. Note 8. includes a complete discussion of defined benefit pension plans.

## **8. 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. An annual comprehensive 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 \$3,852,144 for the fiscal year ended June 30, 2021.

### **FRS Pension Plan**

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

<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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 \$1,035,784 for the fiscal year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2021, the University reported a liability of \$12,594,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.029058639 percent, which was a decrease of 0.001834992 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$3,163,241. 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	\$ 482,015	\$ -
Change of assumptions	2,279,704	-
Net difference between projected and actual earnings on FRS Plan investments	749,885	-
Changes in proportion and differences between University contributions and proportionate share of contributions	750,558	388,254
University FRS contributions subsequent to the measurement date	1,035,784	-
<b>Total</b>	<b>\$ 5,297,946</b>	<b>\$ 388,254</b>

The deferred outflows of resources totaling \$1,035,784, 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, 2022. 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>
2022	\$ 990,178
2023	1,279,284
2024	1,003,000
2025	534,188
2026	67,258
<b>Total</b>	<b>\$ 3,873,908</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - Mean			2.4%	1.7%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
University's proportionate share of the net pension liability	\$20,111,208	\$12,594,441	\$6,316,407

*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 Annual Comprehensive 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, 2021, 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, 2021, 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 \$168,108 for the fiscal year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2021, the University reported a liability of \$3,755,505 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.030758026 percent, which was a decrease of 0.000566181 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of \$688,903. 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	\$ 153,623	\$ 2,897
Change of assumptions	403,824	218,368
Net difference between projected and actual earnings on HIS Plan investments	2,998	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	657,869	66,632
University HIS contributions subsequent to the measurement date	168,108	-
<b>Total</b>	<u>\$ 1,386,422</u>	<u>\$ 287,897</u>

The deferred outflows of resources totaling \$168,108, 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, 2022. 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>
2022	\$ 390,486
2023	255,896
2024	123,324
2025	66,682
2026	52,357
Thereafter	41,672
<b>Total</b>	<u>\$ 930,417</u>

*Actuarial Assumptions.* The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent



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

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 2.21 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 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
University's proportionate share of the net pension liability	\$4,341,196	\$3,755,505	\$3,276,118

*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 Annual Comprehensive Financial Report.

## **9. 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 Annual Comprehensive 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 2020-21 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, 2021, 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 \$415,157 for the fiscal year ended June 30, 2021.

**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, 3.44 percent to cover the

unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 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 \$598,139, and employee contributions totaled \$402,820 for the 2020-21 fiscal year.

## 10. Construction Commitments

The University's construction commitments at June 30, 2021, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Applied Research Center	\$ 34,098,245	\$ 30,321,318	\$ 3,776,927
Reclaimed Water Project	938,430	786,038	152,392
<b>Total</b>	<b>\$ 35,036,675</b>	<b>\$ 31,107,356</b>	<b>\$ 3,929,319</b>

## 11. 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 2020-21 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 \$62.75 million for named windstorm and flood through February 14, 2021, and decreased to \$57.5 million starting February 15, 2021. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$162.25 million through February 14, 2021, and increased to \$167.5 million starting February 15, 2021; 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.

## 12. 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.

## 13. 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	\$ 8,528,036
Research	3,282,404
Public Services	168,539
Academic Support	8,455,440
Student Services	4,435,005
Institutional Support	8,803,601
Operation and Maintenance of Plant	7,837,777
Scholarships, Fellowships, and Waivers	9,488,003
Depreciation	5,505,214
Auxiliary Enterprises	4,787,763
<b>Total Operating Expenses</b>	<b><u><u>\$ 61,291,782</u></u></b>

## 14. Current Unrestricted Funds

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented as follows:

## Statement of Current Unrestricted Funds Net Position

### ASSETS

#### Current Assets:

Cash and Cash Equivalents	\$ 1,050,128
Accounts Receivable, Net	140,377
Interest Receivable	26,940
Due from State	250,905
Investments	36,465,862
Other Current Assets	665,744

#### **TOTAL ASSETS**

38,599,956

### DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	6,283,443
Pensions	6,684,368

#### **TOTAL DEFERRED OUTFLOWS OF RESOURCES**

12,967,811

### LIABILITIES

#### Current Liabilities:

Accounts Payable	213,594
Salary and Wages Payable	966,957
Deposits Payable	61,935
Unearned Revenue	8,016
Compensated Absences Payable	154,357
Other Postemployment Benefits Liability	122,436
Net Pension Liability	39,151

#### **Total Current Liabilities**

1,566,446

#### Noncurrent Liabilities:

Compensated Absences Payable	1,389,216
Other Postemployment Benefits Liability	7,423,562
Net Pension Liability	16,310,795

#### **TOTAL LIABILITIES**

26,690,019

### DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	3,444,690
Pensions	676,151

#### **TOTAL DEFERRED INFLOWS OF RESOURCES**

4,120,841

#### **TOTAL NET POSITION**

\$ 20,756,907

**Statement of Current Unrestricted Funds Revenues,  
Expenses, and Changes in Net Position**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$5,894,293	\$ 1,883,385
Sales and Services of Auxiliary Enterprises	5,264,145
Other Operating Revenues	134,290
<b>Total Operating Revenues</b>	<u>7,281,820</u>

**EXPENSES**

Operating Expenses:

Compensation and Employee Benefits	27,162,502
Services and Supplies	17,291,486
Utilities	670,575
Scholarships and Waivers	9,440,449
<b>Total Operating Expenses</b>	<u>54,565,012</u>
<b>Operating Loss</b>	<u>(47,283,192)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Noncapital Appropriations	37,986,216
Federal and State Student Financial Aid	9,705,930
Investment Income	1,008,026
Other Nonoperating Revenues	246,418
Unrealized Loss on Investments	(2,353,224)
<b>Total Nonoperating Revenues</b>	<u>46,593,366</u>
<b>Loss Before Other Revenues</b>	(689,826)
Transfers to Other Funds	(19,646,865)
<b>Decrease in Net Position</b>	<u>(20,336,691)</u>
Net Position, Beginning of Year	<u>41,093,598</u>
<b>Net Position, End of Year</b>	<u><u>\$ 20,756,907</u></u>

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
University's proportion of the total other postemployment benefits liability	0.07%	0.07%	0.04%	0.04%
University's proportionate share of the total other postemployment benefits liability	\$ 7,545,998	\$ 8,881,876	\$ 4,221,000	\$ 4,483,000
University's covered-employee payroll	\$ 18,132,610	\$ 17,932,326	\$ 16,978,875	\$ 15,360,481
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	41.62%	49.53%	24.86%	29.19%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the FRS net pension liability	0.029058639%	0.030893631%	0.030207815%	0.028494244%
University's proportionate share of the FRS net pension liability	\$ 12,594,441	\$ 10,639,336	\$ 9,095,857	\$ 8,428,407
University's covered payroll (2)	\$ 18,132,610	\$ 17,932,326	\$ 16,978,875	\$ 15,360,481
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	69.46%	59.33%	53.57%	54.87%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 1,035,784	\$ 968,383	\$ 957,925	\$ 860,898
FRS contributions in relation to the contractually required contribution	<u>(1,035,784)</u>	<u>(968,383)</u>	<u>(957,925)</u>	<u>(860,898)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 17,320,547	\$ 18,132,610	\$ 17,932,326	\$ 16,978,875
FRS contributions as a percentage of covered payroll	5.98%	5.34%	5.34%	5.07%

- (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.



<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.022832875%	0.019998331%	0.009648015%	0.000813120%
\$ 5,765,319	\$ 2,583,054	\$ 588,671	\$ 139,974
\$ 11,660,838	\$ 8,912,958	\$ 4,212,980	\$ 348,928
49.44%	28.98%	13.97%	40.12%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 741,775	\$ 563,074	\$ 487,576	\$ 211,332
<u>(741,775)</u>	<u>(563,074)</u>	<u>(487,576)</u>	<u>(211,332)</u>
\$ -	\$ -	\$ -	\$ -
\$ 15,360,481	\$ 11,660,838	\$ 8,912,958	\$ 4,212,980
4.83%	4.83%	5.47%	5.02%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the HIS net pension liability	0.030758026%	0.031324207%	0.031518639%	0.024197096%
University's proportionate share of the HIS net pension liability	\$ 3,755,505	\$ 3,504,865	\$ 3,335,968	\$ 3,241,124
University's covered payroll (2)	\$ 10,317,930	\$ 10,262,946	\$ 9,805,704	\$ 9,232,755
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	36.40%	34.15%	34.02%	35.10%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

(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>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 168,108	\$ 177,244	\$ 173,940	\$ 170,926
HIS contributions in relation to the contractually required HIS contribution	<u>(168,108)</u>	<u>(177,244)</u>	<u>(173,940)</u>	<u>(170,926)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 10,127,595	\$ 10,317,930	\$ 10,262,946	\$ 9,805,704
HIS contributions as a percentage of covered payroll	1.66%	1.72%	1.69%	1.74%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.024197096%	0.018486835%	0.009545059%	0.000943115%
\$ 2,820,072	\$ 1,885,366	\$ 892,486	\$ 82,111
\$ 7,298,830	\$ 5,391,296	\$ 2,508,042	\$ 55,192
38.64%	34.97%	35.58%	148.77%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 160,241	\$ 121,161	\$ 70,668	\$ 32,698
<u>(160,241)</u>	<u>(121,161)</u>	<u>(70,668)</u>	<u>(32,698)</u>
\$ -	\$ -	\$ -	\$ -
\$ 9,232,755	\$ 7,298,830	\$ 5,391,296	\$ 2,508,042
1.74%	1.66%	1.31%	1.30%

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

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

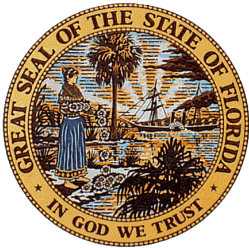
*Changes of Assumptions.* In 2021, amount reported as changes of assumptions resulted from changes to health care costs and premiums, health care cost trends, active plan election assumptions, mortality rates and the repeal of the Excise Tax.

**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 6.90 percent to 6.80 percent.

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent, and the active member mortality assumption was updated.



Sherrill F. Norman, CPA  
Auditor General

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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 Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 23, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 23, 2022