STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2020-150
March 2020

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

For the Fiscal Year Ended
June 30, 2019

Sherrill F. Norman, CPA
Auditor General

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 audit was supervised by Maria G. Loar, CPA.

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

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FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the University's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

Significant Deficiency

Finding No. 2019-001: University procedures need improvement to ensure that account balances and transactions associated with other postemployment benefits are properly recorded and reported.

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2. and 3. to the financial statements, the University's discretely presented component units changed their financial accounting framework from that prescribed by the Financial Accounting Standards Board to the framework prescribed by the Governmental Accounting Standards Board. This affects the comparability of amounts reported for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of the Florida Agricultural and Mechanical University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Agricultural and Mechanical University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2019, 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, 2019, and June 30, 2018.

FINANCIAL HIGHLIGHTS

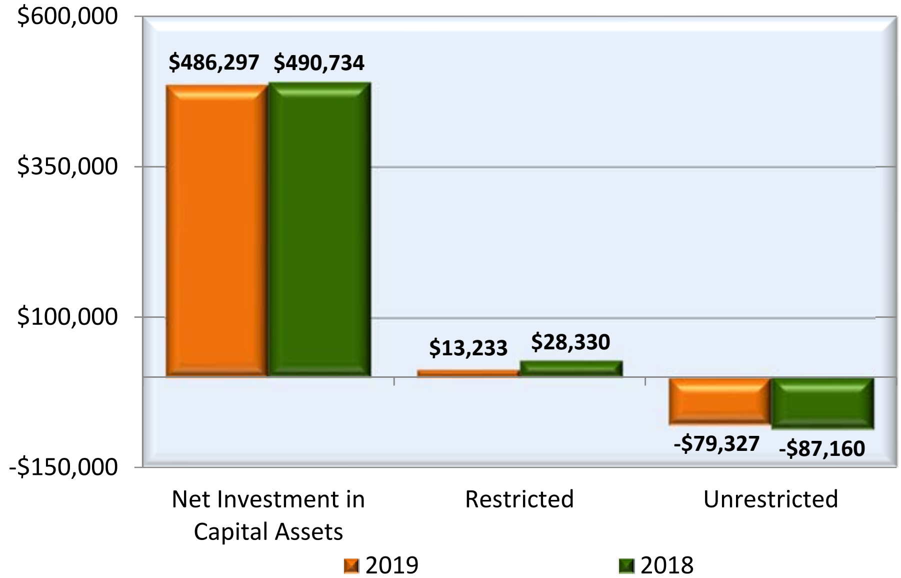
The University's assets and deferred outflows of resources totaled $707 million at June 30, 2019. This balance reflects a $4.1 million, or 0.6 percent, increase as compared to the 2017-18 fiscal year, resulting from increases in net capital assets of $3 million, current assets of $0.6 million, and other non-current assets of $2.2 million; offset by a decrease in deferred outflows of resources of $1.7 million. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $15.8 million, or 5.8 percent, totaling $286.8 million at June 30, 2019, resulting from increases in current liabilities of $6.5 million, non-current liabilities of $1.9 million, and deferred inflows of resources of $7.4 million. As a result, the University's net position decreased by $11.7 million, resulting in a year-end balance of $420.2 million.

The University's operating revenues totaled $128.9 million for the 2018-19 fiscal year, representing a 3.5 percent increase compared to the 2017-18 fiscal year due mainly to an increase in grants and contracts of $4.5 million. Operating expenses totaled $288.4 million for the 2018-19 fiscal year, representing an increase of 0.6 percent as compared to the 2017-18 fiscal year.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:

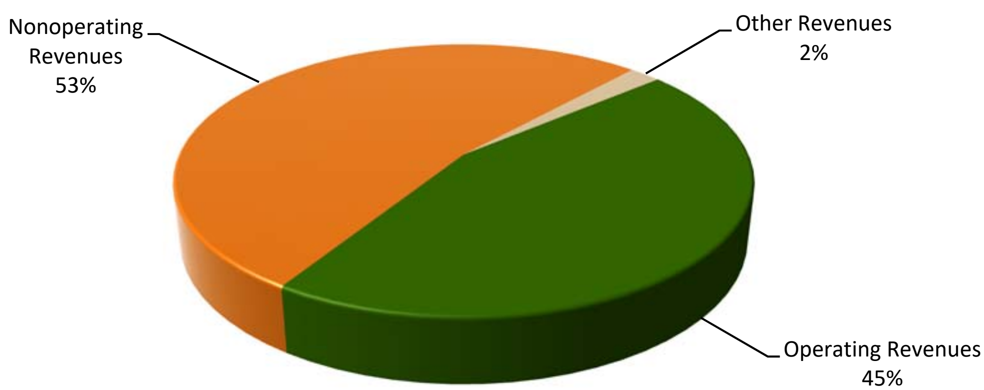
Net Position

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2018-19 fiscal year:

Total Revenues 2018-19 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

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

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

Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units, all of the component units now report under GASB standards as described in Note 2., and MD&A information is included in their separately issued audit reports.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2019	2018
Assets		
Current Assets	$ 92,802	$ 92,191
Capital Assets, Net	559,823	556,818
Other Noncurrent Assets	14,477	12,312
Total Assets	667,102	661,321
Deferred Outflows of Resources	39,855	41,572
Liabilities		
Current Liabilities	37,012	30,496
Noncurrent Liabilities	228,725	226,826
Total Liabilities	265,737	257,322
Deferred Inflows of Resources	21,017	13,667
Net Position		
Net Investment in Capital Assets	486,297	490,734
Restricted	13,233	28,330
Unrestricted	(79,327)	(87,160)
Total Net Position	$ 420,203	$ 431,904

Total assets increased by $5.8 million, total liabilities increased by $8.4 million, and total net position decreased by $11.7 million. The increase in current assets of $0.6 million is primarily due to increases in investments and cash. The increase in capital assets of $3 million is primarily due to additions to construction in progress for the Center for Academic and Student Success, and Student Housing – 700 Bed Facility construction projects. The increase in current liabilities of $6.5 million is primarily due to increases in construction contracts payable related to the new capital improvement debt for the Student Housing – 700 Bed Facility construction project.

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

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

The following summarizes the University's activity for the 2018-19 and 2017-18 fiscal years:

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

(In Thousands)

	2018-19	2017-18
Operating Revenues	$ 128,886	$ 124,519
Less, Operating Expenses	288,425	286,769
Operating Loss	(159,539)	(162,250)
Net Nonoperating Revenues	141,906	140,237
Loss Before Other Revenues	(17,633)	(22,013)
Other Revenues	5,932	7,568
Net Decrease In Net Position	(11,701)	(14,445)
Net Position, Beginning of Year	431,904	487,652
Adjustment to Beginning Net Position (1)	-	(41,303)
Net Position, Beginning of Year, as Restated	431,904	446,349
Net Position, End of Year	$ 420,203	$ 431,904

(1) For the 2017-18 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

Operating Revenues
For the Fiscal Years

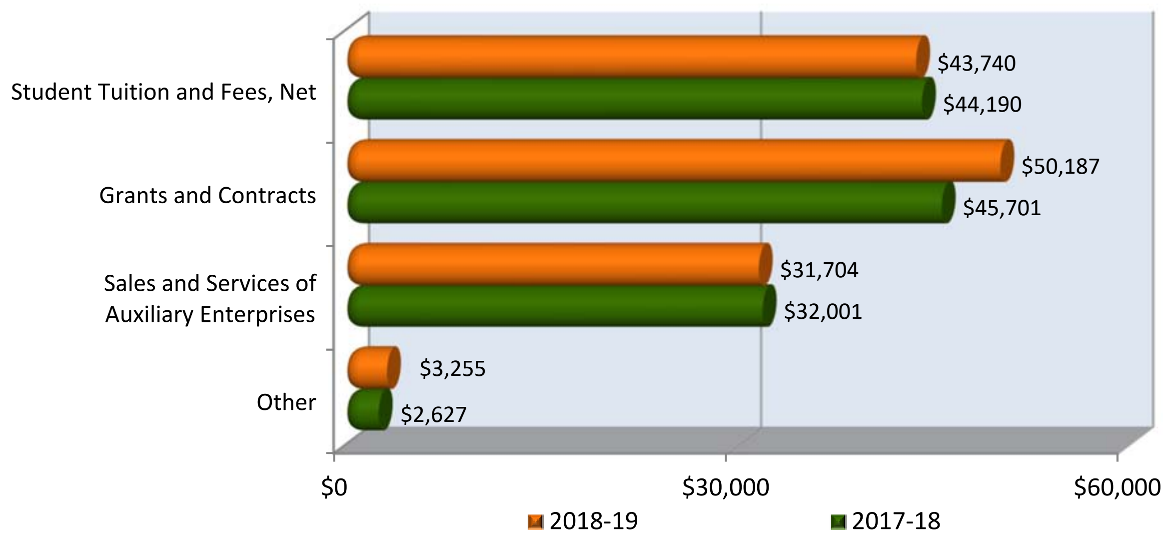
(In Thousands)

	2018-19	**2017-18**
Student Tuition and Fees, Net	$ 43,740	$ 44,190
Grants and Contracts	50,187	45,701
Sales and Services of Auxiliary Enterprises	31,704	32,001
Other	3,255	2,627
Total Operating Revenues	$ 128,886	$ 124,519

The following chart presents the University's operating revenues for the 2018-19 and 2017-18 fiscal years:

Operating Revenues

(In Thousands)



University operating revenue increased $4.4 million, or 3.5 percent as a result of the following factors:

The net student tuition and fees of $43.7 million was the result of $81.1 million in gross tuition and fees offset by scholarship allowances of $37.4 million. Scholarship allowances represent the difference between the stated charges of goods and services provided by the University, and the amount that is actually paid by the student or third party making payment on behalf of the student. Net student tuition and fees decreased by $0.5 million, or 1 percent, as compared to the 2017-18 fiscal year.

Sales and services of auxiliary enterprises of $31.7 million decreased $0.3 million primarily due to decreases in game guarantees from athletic contests.

Grants and contracts revenue of $50.2 million increased by $4.5 million due to increases in Federal and nongovernmental grant and contract funding.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years

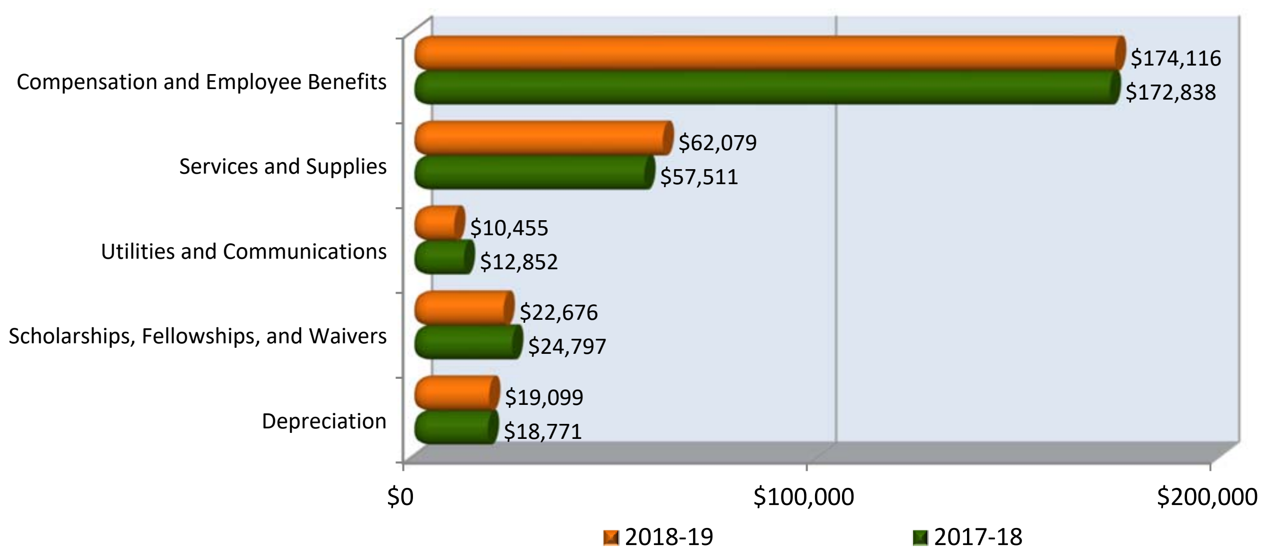
(In Thousands)

	2018-19	**2017-18**
Compensation and Employee Benefits	$ 174,116	$ 172,838
Services and Supplies	62,079	57,511
Utilities and Communications	10,455	12,852
Scholarships, Fellowships, and Waivers	22,676	24,797
Depreciation	19,099	18,771
Total Operating Expenses	$ 288,425	$ 286,769

The following chart presents the University's operating expenses for the 2018-19 and 2017-18 fiscal years:

Operating Expenses

(In Thousands)



Total operating expense increased by $1.7 million, or 0.6 percent, as compared to the 2017-18 fiscal year primarily due to the following factors:

Compensation and employee benefits increased $1.3 million, or 0.7 percent as compared to the 2017-18 fiscal year primarily due to a salary increase for new hires.

Services and supplies increased $4.6 million, or 7.9 percent, primarily due to increases in consulting services, repairs and maintenance expense, and bad debt expense on uncollectible student accounts receivable.

Utilities decreased $2.4 million, or 18.7 percent, primarily due to decrease in consumption rates.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
State Noncapital Appropriations	$ 110,216	$ 103,220
Federal and State Student Financial Aid	35,657	33,945
Noncapital Grants, Contracts, and Gifts	3,037	5,357
Investment Income	925	713
Unrealized Gains (Losses) on Investments	998	(273)
Loss on Disposal of Capital Assets	(6,514)	(1,046)
Interest on Capital Asset-Related Debt	(1,929)	(2,731)
Other Nonoperating Revenues (Expenses)	(484)	1,052
Net Nonoperating Revenues	$ 141,906	$ 140,237

Net nonoperating revenues increased by $1.7 million, or 1.2 percent, as compared to the 2017-18 fiscal year primarily due to the following factors:

State noncapital appropriations increased by $7 million primarily due to the University's ability to meet performance funding goals for the fiscal year. The increase in Federal and State student financial aid is due primarily to increases in Pell Grant revenue and State grant revenue. Loss on disposal of capital assets increased by $5.5 million due to the demolition of old housing buildings to make way for the new Student Housing – 700 Bed Facility construction project.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2018-19 and 2017-18 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
State Capital Appropriations	$ 4,071	$ 7,369
Capital Grants, Contracts, Donations, and Fees	1,861	199
Total	$ 5,932	$ 7,568

Other revenues totaled $5.9 million for the 2018-19 fiscal year, representing a decrease of $1.6 million primarily due to a decrease in State capital appropriations.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
Cash Provided (Used) by:		
Operating Activities	$ (129,281)	$ (129,543)
Noncapital Financing Activities	153,353	143,629
Capital and Related Financing Activities	(9,164)	(13,018)
Investing Activities	1,165	(6,409)
Net Increase (Decrease) in Cash and Cash Equivalents	16,073	(5,341)
Cash and Cash Equivalents, Beginning of Year	17,800	23,141
Cash and Cash Equivalents, End of Year	$ 33,873	$ 17,800

Major sources of funds came from State noncapital appropriations ($110.2 million), Federal Direct Student Loan receipts ($88.1 million), grants and contracts ($48.2 million), net student tuition and fees ($43.9 million), Federal and State student financial aid ($35.7 million), sales and services of auxiliary enterprises ($34.4 million), and sales and maturities of investments ($17 million). Major uses of funds were for payments made to and on behalf of employees totaling $167.9 million; disbursements to students for Federal Direct Student Loans totaling $88.5 million; payments to suppliers totaling

$71 million; purchase or construction of capital assets totaling $24 million: payments to and on behalf of students for scholarships totaling $22.7 million; and purchase of investments totaling $16.7 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the University had $863.9 million in capital assets, less accumulated depreciation of $304.1 million, for net capital assets of $559.8 million. Depreciation charges for the current fiscal year totaled $19.1 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2019	**2018**
Land	$ 25,369	$ 25,369
Works of Art and Historical Treasures	743	743
Construction in Progress	26,847	12,326
Buildings	420,988	431,310
Infrastructure and Other Improvements	64,700	66,716
Furniture and Equipment	12,510	10,572
Library Resources	8,297	9,256
Property Under Capital Leases	267	509
Computer Software and Other Capital Assets	102	17
Capital Assets, Net	$559,823	$556,818

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, 2019, were incurred on the following projects: Center for Academic and Student Success, Student Housing – 700 Bed Facility, and maintenance and renovation projects. The University's construction commitments at June 30, 2019, are as follows:

	Amount (In Thousands)
Total Committed	$ 62,743
Completed to Date	(26,847)
Balance Committed	$ 35,896

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

Debt Administration

As of June 30, 2019, the University had $70.5 million in outstanding capital improvement debt payable and capital leases payable, representing an increase of $4.3 million, or 6.5 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)

	2019	**2018**
Capital Improvement Debt	$ 61,865	$ 56,129
Capital Leases	8,635	10,041
Total	$ 70,500	$ 66,170

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's major source of revenue continues to be State noncapital appropriations. Therefore, the economic condition of the University is closely tied to that of the State of Florida. The Florida Legislature increased its appropriation to the State University System by $50.3 million, or 1 percent, for the 2019-20 fiscal year.

For the 2019-20 fiscal year, the University received an additional allocation of $14.3 million from the performance funding process. Capital appropriations also increased. The University received an additional $2.7 million towards the Center for Academic and Student Success.

Enrollment is an important factor in the outcome of the University's financial condition. Enrollment for Fall 2019 has decreased 4 percent compared to the previous year. However, the University projects continued enrollment growth of 1.9 percent through the 2022-23 fiscal year. The University has placed a strategic emphasis on student success by restructuring academic advisement while increasing intensive academic support in all academic disciplines and enhancing student support services to ensure that students are retained and progress more rapidly towards graduation. The University will also continue its focus on strengthening academic programs and administrative units through expanded utilization of data analytics and performance management.

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance and Administration and Chief Financial Officer, Florida Agricultural and Mechanical University, 1601 South Martin Luther King Jr. Blvd., Tallahassee, Florida 32307.

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

June 30, 2019

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 26,102,136	$ 1,485,816
Investments	44,127,500	3,527,138
Accounts Receivable, Net	9,509,345	85,162
Loans and Notes Receivable, Net	27,757	-
Due from State	10,885,742	-
Due from Component Unit	1,542,828	-
Inventories	606,741	-
Other Current Assets	-	216,115
Total Current Assets	92,802,049	5,314,231
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,770,939	-
Restricted Investments	3,591,260	125,674,078
Loans and Notes Receivable, Net	1,333,868	-
Depreciable Capital Assets, Net	506,864,195	168,228
Nondepreciable Capital Assets	52,958,511	27,000
Other Noncurrent Assets	1,780,573	756,130
Total Noncurrent Assets	574,299,346	126,625,436
Total Assets	667,101,395	131,939,667
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	2,534,000	-
Pensions	37,320,876	-
Total Deferred Outflows of Resources	39,854,876	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,566,776	712,427
Construction Contracts Payable	4,488,332	-
Salary and Wages Payable	4,045,176	1,262
Deposits Payable	3,388,709	-
Due to State	63,448	-
Due to University	-	1,542,828
Unearned Revenue	6,856,537	-
Other Current Liabilities	-	2,557,135
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	2,997,552	-
Capital Leases Payable	989,017	-
Compensated Absences Payable	1,539,095	-
Other Postemployment Benefits Payable	1,524,000	-
Net Pension Liability	552,876	-
Total Current Liabilities	37,011,518	4,813,652

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	58,867,531	-
Capital Leases Payable	7,646,311	-
Compensated Absences Payable	19,119,893	-
Other Postemployment Benefits Payable	56,510,000	-
Net Pension Liability	85,071,456	-
Other Noncurrent Liabilities	1,509,961	1,784,573
Total Noncurrent Liabilities	228,725,152	1,784,573
Total Liabilities	265,736,670	6,598,225
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	11,689,000	-
Pensions	9,328,015	-
Total Deferred Inflows of Resources	21,017,015	-
NET POSITION		
Net Investment in Capital Assets	486,297,385	195,229
Restricted for Nonexpendable:		
Endowment	-	87,751,385
Restricted for Expendable:		
Debt Service	3,591,260	-
Loans	1,466,591	-
Capital Projects	8,174,422	-
Other	-	33,831,522
Unrestricted	(79,327,072)	3,563,306
TOTAL NET POSITION	$ 420,202,586	$ 125,341,442

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

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FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $37,443,505	$ 43,739,593	$ -
Federal Grants and Contracts	40,933,888	-
State and Local Grants and Contracts	7,457,841	-
Nongovernmental Grants and Contracts	1,795,148	-
Sales and Services of Auxiliary Enterprises ($16,046,566 Pledged for Housing Capital Improvement Debt)	31,704,163	-
Other Operating Revenues	3,254,745	12,517,099
Total Operating Revenues	128,885,378	12,517,099
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	174,115,703	1,970,668
Services and Supplies	62,078,717	10,684,382
Utilities and Communications	10,455,127	47,815
Scholarships, Fellowships, and Waivers	22,676,322	2,559,029
Depreciation	19,098,918	16,423
Total Operating Expenses	288,424,787	15,278,317
Operating Loss	(159,539,409)	(2,761,218)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	110,215,670	-
Federal and State Student Financial Aid	35,656,604	-
Noncapital Grants, Contracts, and Gifts	3,037,348	344,385
Investment Income	925,039	67,520
Unrealized Gains on Investments	998,291	-
Loss on Disposal of Capital Assets	(6,513,466)	-
Interest on Capital Asset-Related Debt	(1,929,488)	-
Other Nonoperating Expenses	(483,879)	(419,160)
Net Nonoperating Revenues (Expenses)	141,906,119	(7,255)
Loss Before Other Revenues	(17,633,290)	(2,768,473)
State Capital Appropriations	4,070,737	-
Capital Grants, Contracts, Donations, and Fees	1,860,665	1,219,213
Decrease in Net Position	(11,701,888)	(1,549,260)
Net Position, Beginning of Year	431,904,474	127,904,293
Adjustment to Beginning Net Position	-	(1,013,591)
Net Position, Beginning of Year, as Restated	431,904,474	126,890,702
Net Position, End of Year	$ 420,202,586	$ 125,341,442

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

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

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 43,850,837
Grants and Contracts	48,212,074
Sales and Services of Auxiliary Enterprises	34,380,289
Interest on Loans and Notes Receivable	77,475
Payments to Employees	(167,861,077)
Payments to Suppliers for Goods and Services	(70,952,290)
Payments to Students for Scholarships and Fellowships	(22,676,322)
Loans Issued to Students	(285,220)
Collection on Loans to Students	765,909
Other Operating Receipts	5,207,784
Net Cash Used by Operating Activities	(129,280,541)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	110,215,670
Noncapital Grants, Contracts, and Gifts	3,037,348
Federal and State Student Financial Aid	35,656,604
Federal Direct Loan Program Receipts	88,141,003
Federal Direct Loan Program Disbursements	(88,451,950)
Net Change in Funds Held for Others	4,821,623
Other Nonoperating Disbursements	(67,310)
Net Cash Provided by Noncapital Financing Activities	153,352,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	7,450,072
State Capital Appropriations	11,680,597
Capital Grants, Contracts, Donations and Fees	1,500,000
Other Receipts from Capital Projects	19,950
Purchase or Construction of Capital Assets	(23,960,906)
Principal Paid on Capital Debt and Leases	(3,924,822)
Interest Paid on Capital Debt and Leases	(1,929,488)
Net Cash Used by Capital and Related Financing Activities	(9,164,597)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	17,039,520
Purchases of Investments	(16,747,290)
Investment Income	873,128
Net Cash Provided by Investing Activities	1,165,358
Net Increase in Cash and Cash Equivalents	16,073,208
Cash and Cash Equivalents, Beginning of Year	17,799,867
Cash and Cash Equivalents, End of Year	$ 33,873,075

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (159,539,409)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	19,098,918
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	2,544,742
Inventories	(79,633)
Loans and Notes Receivable, Net	480,689
Accounts Payable	1,661,187
Salaries and Wages Payable	268,789
Deposits Payable	16,780
Compensated Absences Payable	(800,615)
Unearned Revenue	281,559
Other Postemployment Benefits Payable	(1,938,000)
Net Pension Liability	(256,947)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(4,000)
Deferred Inflows of Resources Related to Other Postemployment Benefits	3,285,000
Deferred Outflows of Resources Related to Pensions	1,635,820
Deferred Inflows of Resources Related to Pensions	4,064,579
NET CASH USED BY OPERATING ACTIVITIES	$ (129,280,541)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized gains on investments were recognized as an increase 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.	$ 998,291
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (6,513,466)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 86,903

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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

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

- Florida Agricultural and Mechanical University Foundation, Inc. is authorized to obtain private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence".
- Florida Agricultural and Mechanical University National Alumni Association, Inc. provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- Florida A&M University Rattler Boosters, Inc. (Boosters) provides contributions to the University to stimulate the education, health, and physical welfare of students. Although a component unit, the financial activities of the Boosters are not included in the University's financial statements as the economic resources received and held by the Boosters are insignificant to the University.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Public Relations. Audited financial statements can be obtained from the Vice President for Finance and Administration and Chief Financial Officer, Florida Agricultural and Mechanical University, 1601 South Martin Luther King Jr. Blvd., Tallahassee, Florida 32307. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note. The Florida Agricultural and Mechanical University Research Foundation, Inc. was not operational during the 2018-19 fiscal year, and therefore is not included in the condensed financial statements.

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

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

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

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

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

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

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

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

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

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

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

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years

- Library Resources – 10 years
- Property Under Capital Lease – 10 years
- Works of Art and Historical Treasures – 5 years
- Computer Software – 3 to 7 years

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

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

2. Reporting Change

The Florida Legislature passed, and the Governor signed into law Chapter 2018-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses university direct-support organizations. With this change, the University Board of Trustees is required to approve all direct-support organization board members. Under current accounting guidance, a key factor in determining whether a direct-support organization should report under the accounting and financial reporting standards of the FASB, versus the accounting and financial reporting of the GASB is board control. With the change in the Florida Statute, the University has control of the boards of the direct-support organizations and the FASB reporting model is no longer appropriate. All direct-support organizations converted from FASB to the GASB reporting model for the 2018-19 fiscal year.

3. Adjustment to Beginning Net Position – Component Unit

The beginning net position of the discretely presented component units was decreased by $1,013,591 due to a prior period adjustment recorded by the Florida Agricultural and Mechanical University Foundation, Inc. as a change in reporting model as discussed above in Note 2.

4. Deficit Net Position in Individual Funds

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

Fund		Net Position
Current Funds - Unrestricted	$	(106,842,830)
Auxiliary Funds		27,515,758
Total	$	(79,327,072)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

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

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

The University's investments at June 30, 2019, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 44,127,500	$ -	$ -	$ 44,127,500
Historically Black Colleges and Universities Debt Service Accounts	3,591,260	3,591,260	-	-
Total investments by fair value level	$ 47,718,760	$ 3,591,260	$ -	$ 44,127,500
Total investments measured at fair value	$ 47,718,760			

<u>External Investment Pool</u>.

The University reported investments at fair value totaling $44,127,500 at June 30, 2019, 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 2.71 years, and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

The University reported investments totaling $3,591,260 at June 30, 2019, in the HBCU Debt Service Accounts. These investments are used to make debt service payments on capital improvement debt issued by the United States Department of Education for the benefit of the University. The University relies on policies developed by the HBCU for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units' Investments.

Investments held by the University's component units, Florida Agricultural and Mechanical University Foundation, Inc. and Florida Agricultural and Mechanical University National Alumni Association, Inc. at June 30, 2019, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Government Securities	$ 1,724,373	$ -	$ 1,724,373	$ -
Corporate Bonds	8,183,150	-	8,183,150	-
Common Stocks	6,125,152	6,125,152	-	-
Mutual Funds	6,736,781	-	6,736,781	-
Commingled Funds	75,255,175	-	75,255,175	-
Real Estate Property	1,367,519	-	1,367,519	-
Money Market Funds	2,098,134	2,098,134	-	-
Hedge Funds	4,971,756	4,971,756	-	-
Total investments by fair value level	$ 106,462,040	$ 13,195,042	$ 93,266,998	$ -
Investments measured at the net asset value (NAV)				
Commingled Funds	15,623,565			
Multi-Strategy Hedge Funds	84,050			
Real Estate Funds	4,840,948			
Limited Partnership	2,190,613			
Total investments measured at NAV	22,739,176			
Total investments measured at fair value	$ 129,201,216			

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2019, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 12,936,881
Contracts and Grants	7,213,770
Interest Receivable	781,911
Other	920,669
Total Accounts Receivable	21,853,231
Allowance for Doubtful Accounts	(12,343,886)
Total Accounts Receivable, Net	$ 9,509,345

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of $12,343,886 and $1,370,338, respectively, at June 30, 2019.

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

7. Due From State

The amount due from State consists of $10,885,742 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 25,369,275	$ -	$ -	$ 25,369,275
Works of Art and Historical Treasures	742,634	-	-	742,634
Construction in Progress	12,326,413	22,739,731	8,219,542	26,846,602
Total Nondepreciable Capital Assets	$ 38,438,322	$ 22,739,731	$ 8,219,542	$ 52,958,511
Depreciable Capital Assets:				
Buildings	$ 603,069,330	$ 7,829,832	$ 15,340,320	$ 595,558,842
Infrastructure and Other Improvements	92,331,941	389,710	-	92,721,651
Furniture and Equipment	54,626,669	4,957,447	2,158,308	57,425,808
Library Resources	63,055,268	817,999	-	63,873,267
Property Under Capital Leases	1,206,141	-	-	1,206,141
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	38,541	101,993	7,408	133,126
Total Depreciable Capital Assets	814,370,340	14,096,981	17,506,036	810,961,285
Less, Accumulated Depreciation:				
Buildings	171,759,239	11,659,890	8,848,253	174,570,876
Infrastructure and Other Improvements	25,616,348	2,405,241	-	28,021,589
Furniture and Equipment	44,054,322	3,001,195	2,139,502	44,916,015
Library Resources	53,799,008	1,777,715	-	55,576,723
Property Under Capital Leases	697,634	241,228	-	938,862
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	21,741	13,649	4,815	30,575
Total Accumulated Depreciation	295,990,742	19,098,918	10,992,570	304,097,090
Total Depreciable Capital Assets, Net	$ 518,379,598	$ (5,001,937)	$ 6,513,466	$ 506,864,195

9. Unearned Revenue

Unearned revenue at June 30, 2019, includes monies drawn in advance of incurring expenses for cost reimbursement contracts and grants, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2019, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 5,628,434
Student Tuition and Fees	1,228,103
Total Unearned Revenue	$ 6,856,537

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 56,128,929	$ 61,865,083	$ 56,128,929	$ 61,865,083	$ 2,997,552
Capital Leases Payable	10,041,105	-	1,405,777	8,635,328	989,017
Compensated Absences Payable	21,459,603	565,878	1,366,493	20,658,988	1,539,095
Other Postemployment Benefits Payable	59,972,000	13,778,000	15,716,000	58,034,000	1,524,000
Net Pension Liability	85,881,279	46,174,122	46,431,069	85,624,332	552,876
Other Noncurrent Liabilities	1,893,575	-	383,614	1,509,961	-
Total Long-Term Liabilities	$ 235,376,491	$ 122,383,083	$ 121,431,882	$ 236,327,692	$ 7,602,540

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2019:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
Series A 2019-1 HBCU	$ 10,049,090	$ 10,049,090	2.651	2030
Series A 2019-2 HBCU	6,798,534	6,798,534	2.545	2025
Series A 2019-3 HBCU	36,402,142	36,402,142	2.845	2042
Series A 2019-4 HBCU	8,615,317	8,615,317	2.103 to 2.642	2031
Total Capital Improvement Debt	$ 61,865,083	$ 61,865,083		

In prior years, the Florida Board of Governors (BOG) issued capital improvement (housing) revenue bonds, Series 2010A, 2010B, and 2012A, on behalf of the University to provide financing for the refunding of existing capital improvement debt for student housing facilities to remodel two existing student housing facilities, and for the construction of a new 800-bed dormitory. Principal and interest paid for the current year totaled $2,004,469.

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

On March 5, 2019, as authorized by the HBCU Capital Financing Program, the University entered into loan agreements through the BOG securing the fixed rate HBCU capital project Series A 2019-1, principal totaling $10,049,090, and interest rate of 2.651 percent to refund the outstanding housing revenue bonds, Series 2010A principal totaling $10,471,000, and related issuance costs; HBCU capital project Series A 2019-2, principal totaling $6,798,534, and interest rate of 2.545 percent to refund the outstanding housing revenue bonds, Series 2010B principal totaling $6,265,000, and related issuance costs; and HBCU capital project Series A 2019-3, principal totaling $36,402,142, and interest rate of 2.845 percent to defease the outstanding housing revenue bonds, Series 2012A principal totaling $35,080,000, and related issuance costs. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net position. Accordingly, the new fixed rate HBCU debt replaced the housing revenue bonds and are reported as a capital improvement debt payable on the face of the statement of net position for the reporting period ended

June 30, 2019. As a result of the refunding, the University reduced its capital improvement debt service requirement by $4,229,484 over the next 23 years and obtained an economic gain of $2,164,824.

In addition to the refinancing transactions, on March 5, 2019, as authorized by the HBCU Capital Financing Program, the University entered into debt agreements through the BOG securing the fixed rate HBCU capital project Series A 2019-4, principal not to exceed $70,000,000, and interest rates ranging from 2.103 percent to 2.642 percent to finance the cost of designing and constructing a 700-bed student housing facility and dining shell space, and related issuance costs. The University has received debt proceeds totaling $8,615,317 as of June 30, 2019.

The University has pledged a portion of future housing rental revenues to repay $61,865,083 in HBCU capital project debt borrowed by the BOG on behalf of the University. The debt is payable solely from housing rental income and is payable through 2042. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $79,302,811, and interest paid for the current year totaled $506,979. During the 2018-19 fiscal year, housing rental income totaled $16,046,566.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	$ 2,997,552	$ 1,658,720	$ 4,656,272
2021	3,082,245	1,573,483	4,655,728
2022	3,265,796	1,489,283	4,755,079
2023	3,344,965	1,408,540	4,753,505
2024	3,442,738	1,306,520	4,749,258
2025-2029	18,077,017	5,125,115	23,202,132
2030-2034	12,239,621	2,945,465	15,185,086
2035-2039	9,223,596	1,617,498	10,841,094
2040-2042	6,191,553	313,104	6,504,657
Total	$ 61,865,083	$ 17,437,728	$ 79,302,811

Capital Leases Payable. In prior years, the University entered into capital lease agreements totaling $14,786,173 to finance energy performance savings contracts. The stated interest rates are 4.5 and 2.5946 percent. In the 2014-15 fiscal year, the University entered into two additional capital lease agreements totaling $825,660, to finance telecommunications and emergency vehicle equipment. The stated interest rates are 5.83 and 6.083 percent, respectively. In the 2016-17 and 2017-18 fiscal years, the University entered into additional capital lease agreements to finance various public safety and maintenance vehicles totaling $380,480. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	$ 1,202,197
2021	1,032,459
2022	1,030,262
2023	1,030,259
2024	1,030,259
2025-29	4,378,608
Total Minimum Payments	9,704,044
Less, Amount Representing Interest	1,068,716
Present Value of Minimum Payments	$ 8,635,328

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, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $20,658,988. The current portion of the compensated absences liability, $1,539,095, 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 $58,034,000 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2018, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.55 percent, which was equal to its proportionate share measured as of June 30, 2017.

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	7.8 percent for Preferred Provider Organizations (PPO) and 5.2 percent for Health Maintenance Organization (HMO) for fiscal years 2017 to 2018, decreasing to an ultimate rate of 3.8 percent for fiscal year 2075 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

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

The following change has been made since the prior valuation:

- The discount rate as of the measurement date for GASB 75 purposes was changed to 3.87 percent. The prior GASB 75 report used 3.58 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of the June 28, 2018.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the total OPEB liability	$70,584,000	$58,034,000	$48,263,000

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$46,944,000	$58,034,000	$72,918,000

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

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of $2,840,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 11,689,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	1,010,000	-
Transactions subsequent to the measurement date	1,524,000	-
Total	$ 2,534,000	$ 11,689,000

Of the total amount reported as deferred outflows of resources related to OPEB, $1,524,000 resulting from transactions benefit payments and administrative expense subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ (1,682,000)
2021	(1,682,000)
2022	(1,682,000)
2023	(1,682,000)
2024	(1,682,000)
Thereafter	(2,269,000)
Total	$ (10,679,000)

Other Noncurrent Liabilities. Other noncurrent liabilities represent the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled $1,509,961 at June 30, 2019.

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, 2019, the University's proportionate share of the net pension liabilities totaled $85,624,332. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University's FRS and HIS pension expense totaled $12,885,460 for the fiscal year ended June 30, 2019.

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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	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 2018-19 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
FRS, Special Risk Administrative Support	3.00	34.98
Teacher's Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $6,273,200 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $63,036,676 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.209281509 percent, which was a decrease of 0.001477527 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of $11,316,877. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,340,154	$ 193,823
Change of assumptions	20,597,320	-
Net difference between projected and actual earnings on FRS Plan investments	-	4,870,352
Changes in proportion and differences between University contributions and proportionate share of contributions	933,801	887,196
University FRS contributions subsequent to the measurement date	6,273,200	-
Total	$ 33,144,475	$ 5,951,371

The deferred outflows of resources totaling $6,273,200, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 8,571,871
2021	5,501,035
2022	553,186
2023	3,544,165
2024	2,401,117
Thereafter	348,530
Total	$ 20,919,904

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 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 2018 valuation was updated from 7.10 percent to 7.00 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	$115,044,577	$63,036,676	$19,841,039

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, 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, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $1,168,812 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $22,587,656 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.213410955 percent, which was a decrease of 0.006745744 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of $1,568,583. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 345,807	$ 38,376
Change of assumptions	2,512,026	2,388,156
Net difference between projected and actual earnings on HIS Plan investments	13,634	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	136,122	950,112
University HIS contributions subsequent to the measurement date	1,168,812	-
Total	$ 4,176,401	$ 3,376,644

The deferred outflows of resources totaling $1,168,812, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 198,647
2021	197,498
2022	72,965
2023	(106,540)
2024	(465,184)
Thereafter	(266,441)
Total	$ (369,055)

Actuarial Assumptions. The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.87 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 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	**Current Discount Rate (3.87%)**	**1% Increase (4.87%)**
University's proportionate share of the net pension liability	$25,726,016	$22,587,656	$19,971,650

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, 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 $789,707 for the fiscal year ended June 30, 2019.

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, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $3,906,808, and employee contributions totaled $2,404,657 for the 2018-19 fiscal year.

13. Construction Commitments

The University's construction commitments at June 30, 2019, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Center for Academic and Student Success	$ 15,509,132	$ 10,093,547	$ 5,415,585
Student Housing - 700 Bed Facility	38,642,783	9,597,275	29,045,508
Developmental Research School	1,504,791	1,286,294	218,497
Pharmacy - Phase II & III	3,031,826	3,024,300	7,526
Campus Closed Circuit Television Security System	729,334	528,625	200,709
Student Union Building	1,852,069	1,302,829	549,240
Foote-Hilyer Administration Center Generator	161,104	161,104	-
Amphitheatre	356,818	232,951	123,867
Student Service Center - Hub	22,788	22,788	-
Viticulture Field House	519,356	479,405	39,951
Maintenance and Renovations	412,348	117,484	294,864
Total	$ 62,742,349	$ 26,846,602	$ 35,895,747

14. Operating Lease Commitments

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

Fiscal Year Ending June 30	Amount
2020	$ 214,243
2021	218,699
2022	97,399
2023	36,000
Total Minimum Payments Required	$ 566,341

15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2018-19 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 $78 million for named windstorm and flood through February 14, 2019, and decreased to $68.5 million starting February 15, 2019. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

16. Litigation

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

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 82,792,331
Research	24,452,101
Public Services	368,689
Academic Support	39,407,728
Student Services	10,133,760
Institutional Support	38,400,582
Operation and Maintenance of Plant	19,075,559
Scholarships, Fellowships, and Waivers	22,676,322
Depreciation	19,098,918
Auxiliary Enterprises	32,018,797
Total Operating Expenses	$ 288,424,787

18. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility
Assets	
Current Assets	$ 17,443,084
Capital Assets, Net	79,393,758
Total Assets	96,836,842
Liabilities	
Current Liabilities	8,160,449
Noncurrent Liabilities	59,005,757
Total Liabilities	67,166,206
Net Position	
Net Investment in Capital Assets	14,717,469
Restricted - Expendable	5,233,256
Unrestricted	9,719,911
Total Net Position	$ 29,670,636

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

	Housing Facility
Operating Revenues	$16,046,566
Depreciation Expense	(1,831,372)
Other Operating Expenses	(9,839,150)
Operating Income	4,376,044
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	183,809
Interest Expense	(1,674,737)
Other Nonoperating Expense	(7,363,349)
Net Nonoperating Expenses	(8,854,277)
Decrease in Net Position	(4,478,233)
Net Position, Beginning of Year	34,148,869
Net Position, End of Year	$ 29,670,636

Condensed Statement of Cash Flows

	Housing Facility
Net Cash Provided (Used) by:	
Operating Activities	$ 5,790,627
Capital and Related Financing Activities	(3,122,753)
Investing Activities	504,961
Net Increase in Cash and Cash Equivalents	3,172,835
Cash and Cash Equivalents, Beginning of Year	2,991,057
Cash and Cash Equivalents, End of Year	$ 6,163,892

19. Discretely Presented Component Units

The University has two discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations: Florida Agricultural and Mechanical University Foundation, Inc.	Direct-Support Organizations: Florida Agricultural and Mechanical University National Alumni Association, Inc.	Total
Assets:			
Current Assets	$ 5,216,724	$ 97,507	$ 5,314,231
Capital Assets, Net	195,228	-	195,228
Other Noncurrent Assets	124,333,683	2,096,525	126,430,208
Total Assets	129,745,635	2,194,032	131,939,667
Liabilities:			
Current Liabilities	4,805,720	7,932	4,813,652
Noncurrent Liabilities	1,784,573	-	1,784,573
Total Liabilities	6,590,293	7,932	6,598,225
Net Position:			
Net Investment in Capital Assets	195,229	-	195,229
Restricted Nonexpendable	86,164,453	1,586,932	87,751,385
Restricted Expendable	33,831,522	-	33,831,522
Unrestricted	2,964,138	599,168	3,563,306
Total Net Position	$ 123,155,342	$ 2,186,100	$ 125,341,442

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

	Direct-Support Organizations		
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Total
Operating Revenues	$ 12,132,362	$ 384,737	$ 12,517,099
Operating Expenses	(15,057,543)	(220,774)	(15,278,317)
Operating Income (Loss)	(2,925,181)	163,963	(2,761,218)
Nonoperating Expenses	-	(7,255)	(7,255)
Other Revenues	1,219,213	-	1,219,213
Increase (Decrease) in Net Position	(1,705,968)	156,708	(1,549,260)
Net Position, Beginning of Year	125,874,901	2,029,392	127,904,293
Adjustment to Beginning Net Position (1)	(1,013,591)	-	(1,013,591)
Net Position, Beginning of Year, as Restated	124,861,310	2,029,392	126,890,702
Net Position, End of Year	$ 123,155,342	$ 2,186,100	$ 125,341,442

(1) Beginning Net Position was adjusted as a result of conversions from FASB accounting standards to GASB accounting standards as described in Notes 2. and 3.

20. Joint Ventures and Jointly Governed Organizations

The University's Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of the FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise, and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According to a report issued by an independent certified public accounting firm, the University received distributions of $518,099 and retained ticket sales of $539,125 for a total distribution of $1,057,224 from the proceeds of the Florida Classic football game held on November 17, 2018.

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

	2018 (1)	**2017** (1)
University's proportion of the total other postemployment benefits liability	0.55%	0.55%
University's proportionate share of the total other postemployment benefits liability	$ 58,034,000	$ 59,972,000
University's covered-employee payroll	$ 113,789,082	$ 112,860,919
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	51.00%	53.14%

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

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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
University's proportion of the FRS net pension liability	0.209281509%	0.210759036%	0.212314988%	0.218226097%
University's proportionate share of the FRS net pension liability	$ 63,036,676	$ 62,341,109	$ 53,609,701	$ 28,186,827
University's covered payroll (2)	$ 113,789,082	$ 112,860,919	$ 111,280,144	$ 109,391,428
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	55.40%	55.24%	48.18%	25.77%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

(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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required FRS contribution	$ 6,273,200	$ 5,964,355	$ 5,486,577	$ 5,177,640
FRS contributions in relation to the contractually required contribution	(6,273,200)	(5,964,355)	(5,486,577)	(5,177,640)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 114,039,416	$ 113,789,082	$ 112,860,919	$ 111,280,144
FRS contributions as a percentage of covered payroll	5.50%	5.24%	4.86%	4.65%

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

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

	2014 (1)	2013 (1)
	0.219223139%	0.192935113%
	$ 13,375,835	$ 33,212,720
	$ 106,068,813	$ 103,898,906
	12.61%	31.97%
	96.09%	88.54%

	2015 (1)	2014 (1)
	$ 5,320,538	$ 4,801,917
	(5,320,538)	(4,801,917)
	$ -	$ -
	$ 109,391,428	$ 106,068,813
	4.86%	4.53%

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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
University's proportion of the HIS net pension liability	0.213410955%	0.220156699%	0.225242384%	0.224601105%
University's proportionate share of the HIS net pension liability	$ 22,587,656	$ 23,540,170	$ 26,251,067	$ 22,905,780
University's covered payroll (2)	$ 68,588,401	$ 68,546,066	$ 69,785,144	$ 66,541,722
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.93%	34.34%	37.62%	34.42%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required HIS contribution	$ 1,168,812	$ 1,157,333	$ 1,165,133	$ 1,154,511
HIS contributions in relation to the contractually required HIS contribution	(1,168,812)	(1,157,333)	(1,165,133)	(1,154,511)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 68,850,145	$ 68,588,401	$ 68,546,066	$ 69,785,144
HIS contributions as a percentage of covered payroll	1.70%	1.69%	1.70%	1.65%

(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.

	2014 (1)	2013 (1)
	0.224264902%	0.220974771%
	$ 20,969,316	$ 19,238,759
	$ 65,648,265	$ 62,952,635
	31.94%	30.56%
	0.99%	1.78%

	2015 (1)	2014 (1)
	$ 858,565	$ 768,256
	(858,565)	(768,256)
	$ -	$ -
	$ 66,541,722	$ 65,648,265
	1.29%	1.17%

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

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

Changes of Assumptions. The discount rate as of the measurement date for GASB 75 purposes was changed to 3.87 percent. The prior GASB 75 report used 3.58 percent. The discount rate is based on the 20-year municipal bond rate as of June 28, 2018.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 12, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the accompanying ***FINDING AND RECOMMENDATION*** section of this report as Financial Statement Finding No. 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

University's Response to Finding

The University's response to the finding identified in our audit is included as University's Response in Financial Statement Finding No. 2019-001. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 12, 2020

FINDING AND RECOMMENDATION

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING

Finding Number	**2019-001**
Opinion Unit	Florida Agricultural and Mechanical University
Financial Statements Account Title	Other Postemployment Benefits Payable; Deferred Outflows of Other Postemployment Benefits; and Net Position, Beginning of the Year
Adjustment Amounts	Adjustments to decrease: Other Postemployment Benefits Payable - $18,669,000; and Deferred Outflows of Other Postemployment Benefits - $1,524,000 Adjustments to increase: Net Position, Beginning of the Year - $17,145,000
Prior Year Finding	Not Applicable

Finding

University procedures need improvement to ensure that account balances and transactions associated with other postemployment benefits are properly recorded and reported.

Criteria

In the 2017-18 fiscal year, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statements for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. Once properly implemented, similar entries would not be required for the 2018-19 fiscal year.

Condition

During the 2018-19 fiscal year, the University erroneously reported an adjustment to decrease beginning net position by $17,145,000 due to implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, the University erroneously reported a reporting change, an adjustment to beginning net position, and notes to the financial statements related to the implementation of GASB Statement No. 75. The University's initial year of implementation was the 2017-18 fiscal year, therefore, an adjustment to beginning net position was not required as beginning OPEB liability was not restated in the 2018-19 fiscal year. Also, there were no reporting changes in the 2018-19 fiscal year related to GASB Statement No. 75 implementation. We calculated the per audit amounts and recommended audit adjustments. Our calculations found that the University's net position was being significantly understated by $17,145,000 for the fiscal year ended June 30, 2019.

Cause

In response to our inquiries, University personnel indicated that the error occurred because staff were not familiar with reporting OPEB accounts and related transactions.

Effect

Financial statement users may misunderstand the University's other postemployment benefits reporting and incorrectly assess the University's financial position. We extended our audit procedures to determine the adjustments necessary to properly report these account balances and transactions, and University personnel accepted the adjustments. However, our audit procedures cannot substitute for management's responsibility for proper financial recording and reporting.

Recommendation

The University should enhance procedures to ensure that account balances and transactions associated with other postemployment benefits are properly recorded and reported.

University Response

The University concurs with the audit finding. The University, at year-end, experienced the loss of several key accounting and finance personnel that were responsible for preparing and reviewing the year-end trial balance and financial reports, as well as the accounting entries for other postemployment benefits. This was an isolated event and one that will not be a repeat finding in the future. The University has put in place succession planning and cross training of personnel to ensure that transactions related to the other postemployment benefits are properly recorded and reported.