

Report No. 2022-188
March 2022

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

**FLORIDA AGRICULTURAL AND
MECHANICAL UNIVERSITY**

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. Larry Robinson served as President of Florida Agricultural and Mechanical University and the following individuals served as Members of the Board of Trustees:

Kelvin L. Lawson, Chair	Dominique Xavier McClinton
Kimberly Ann Moore, Vice Chair	through 4-30-21 ^c
Ann Marie Cavazos ^a	Belvin Perry Jr.
Otis Cliatt II from 12-11-20	Craig Reed
Thomas W. Dortch Jr.	Kenward Stone from 10-27-20 ^d
Michael Dubose from 12-11-20 ^b	Nicole Washington
Kristin Harper	Carrington Whigham from 5-1-21 ^c
David Lawrence Jr.	Robert L. Woody through 12-10-20

^a Faculty Senate Chair.

^b Trustee position vacant 7-1-20, through 12-10-20.

^c Student Body President.

^d Trustee position vacant 7-1-20, through 10-26-20.

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

The team leader was Stacy Boyd, and the audit was supervised by Maria G. Loar, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us 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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2021. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 28, 2022, on our consideration of the Florida Agricultural and Mechanical University's internal

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2022

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, 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2021, and June 30, 2020.

FINANCIAL HIGHLIGHTS

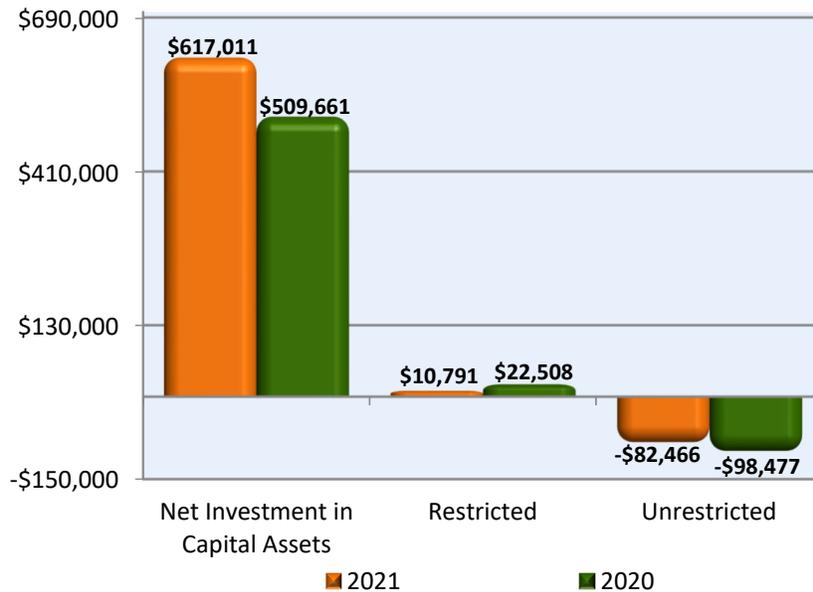
The University continues to address the impact of the pandemic in all aspects, including financial. As the financial performance of the University for the 2020-21 fiscal year is discussed in further detail, the impact of the pandemic will be noted where relevant.

At the start of the Fall Semester of the 2020-21 fiscal year, the University returned to normal, pre COVID-19 pandemic, operations which included face to face instruction, normal class and housing capacities, and all staff and faculty returned to the office. With the assistance of the emergency funding provided by the U.S. Department of Education (ED), the University continues to use those funds to combat the spread of COVID-19 on campus. The University continues to serve as a testing and vaccination site for the community.

The University's assets and deferred outflows of resources totaled \$815.4 million at June 30, 2021. This balance reflects a \$25.5 million, or 3.2 percent, increase as compared to the 2019-20 fiscal year, resulting from increases in net capital assets of \$17.1 million and current assets of \$5.4 million. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources decreased by \$86.2 million, or 24.2 percent, totaling \$270.1 million at June 30, 2021, resulting from decreases in current liabilities of \$9.1 million, and noncurrent liabilities of \$87.8 million. As a result, the University's net position increased by \$111.6 million, resulting in a year-end balance of \$545.3 million.

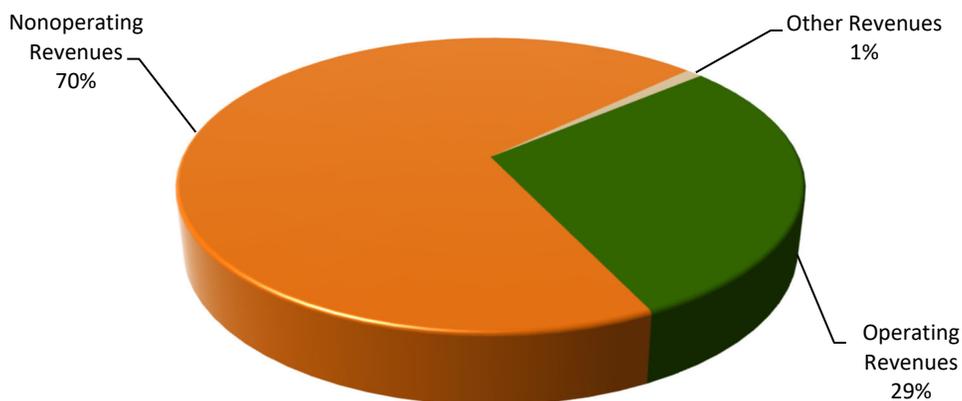
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the following graph:

**Net Position
(In Thousands)**



The University’s operating revenues totaled \$133.5 million for the 2020-21 fiscal year, representing a 4.3 percent decrease compared to the 2019-20 fiscal year. Operating expenses totaled \$337.7 million for the 2020-21 fiscal year, representing an increase of 7.8 percent as compared to the 2019-20 fiscal year due mainly to increases in services and supplies of \$13.5 million, and scholarships, fellowships, and waivers of \$11.8 million. The following chart provides a graphical representation of University revenues by category for the 2020-21 fiscal year:

**Total Revenues
2020-21 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 35, the University’s financial report consists of three basic financial statements: the statement of net position; the statement

of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include: Florida Agricultural and Mechanical University Foundation, Inc. (Foundation), the Florida Agricultural and Mechanical University National Alumni Association, Inc. (Alumni Association), and FAMU Rattler Boosters, Inc. (Boosters). Based on the application of the criteria for determining component units, the Foundation, Alumni Association, and Boosters are included within the University reporting entity as discretely presented component units.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 115,070	\$ 109,679
Capital Assets, Net	637,930	620,803
Other Noncurrent Assets	17,967	16,075
Total Assets	<u>770,967</u>	<u>746,557</u>
Deferred Outflows of Resources	<u>44,464</u>	<u>43,393</u>
Liabilities		
Current Liabilities	37,225	46,314
Noncurrent Liabilities	201,760	289,534
Total Liabilities	<u>238,985</u>	<u>335,848</u>
Deferred Inflows of Resources	<u>31,110</u>	<u>20,410</u>
Net Position		
Net Investment in Capital Assets	617,011	509,661
Restricted	10,791	22,508
Unrestricted	<u>(82,466)</u>	<u>(98,477)</u>
Total Net Position	<u>\$ 545,336</u>	<u>\$ 433,692</u>

Total assets increased by \$24.4 million, total liabilities decreased by \$96.9 million, and total net position increased by \$111.6 million. The increase in current assets of \$5.4 million is primarily due to increases in cash and cash equivalents, and investments. The increase in capital assets, net of \$17.1 million is primarily due to additions to construction in progress for the Center for Academic and Student Success (CASS) and Student Housing – 700 Bed Facility Towers Living Learning Center construction projects. The decrease in current liabilities of \$9.1 million is primarily due to decreases in construction contracts payable and capital improvement debt payable – current portion. The decrease in noncurrent liabilities of \$87.8 million is mainly due to the forgiveness of the capital improvement debt of \$111.9 million by the U.S. Secretary of Education.

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

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

The following summarizes the University's activity for the 2020-21 and 2019-20 fiscal years:

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

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Operating Revenues	\$ 133,458	\$ 139,430
Less, Operating Expenses	<u>337,671</u>	<u>313,236</u>
Operating Loss	(204,213)	(173,806)
Net Nonoperating Revenues	<u>311,317</u>	<u>156,776</u>
Income (Loss) Before Other Revenues	107,104	(17,030)
Other Revenues	<u>4,540</u>	<u>27,334</u>
Net Increase In Net Position	<u>111,644</u>	<u>10,304</u>
Net Position, Beginning of Year	433,692	420,203
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>3,185</u>
Net Position, Beginning of Year, as Restated	<u>433,692</u>	<u>423,388</u>
Net Position, End of Year	<u>\$ 545,336</u>	<u>\$ 433,692</u>

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

Operating Revenues

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

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

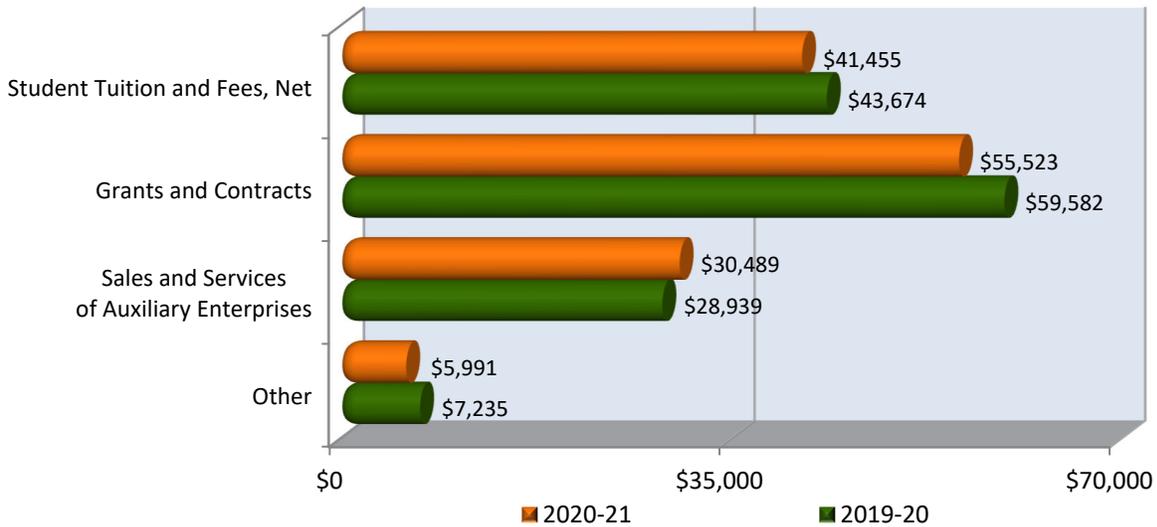
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Student Tuition and Fees, Net	\$ 41,455	\$ 43,674
Grants and Contracts	55,523	59,582
Sales and Services of Auxiliary Enterprises	30,489	28,939
Other	<u>5,991</u>	<u>7,235</u>
Total Operating Revenues	<u>\$ 133,458</u>	<u>\$ 139,430</u>

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

Operating Revenues
(In Thousands)



University operating revenue decreased \$6 million, or 4.3 percent as a result of the following factors:

Grants and contracts revenue of \$55.5 million decreased by \$4.1 million due to decreases in Federal and State and Local grant and contract funding.

Operating Expenses

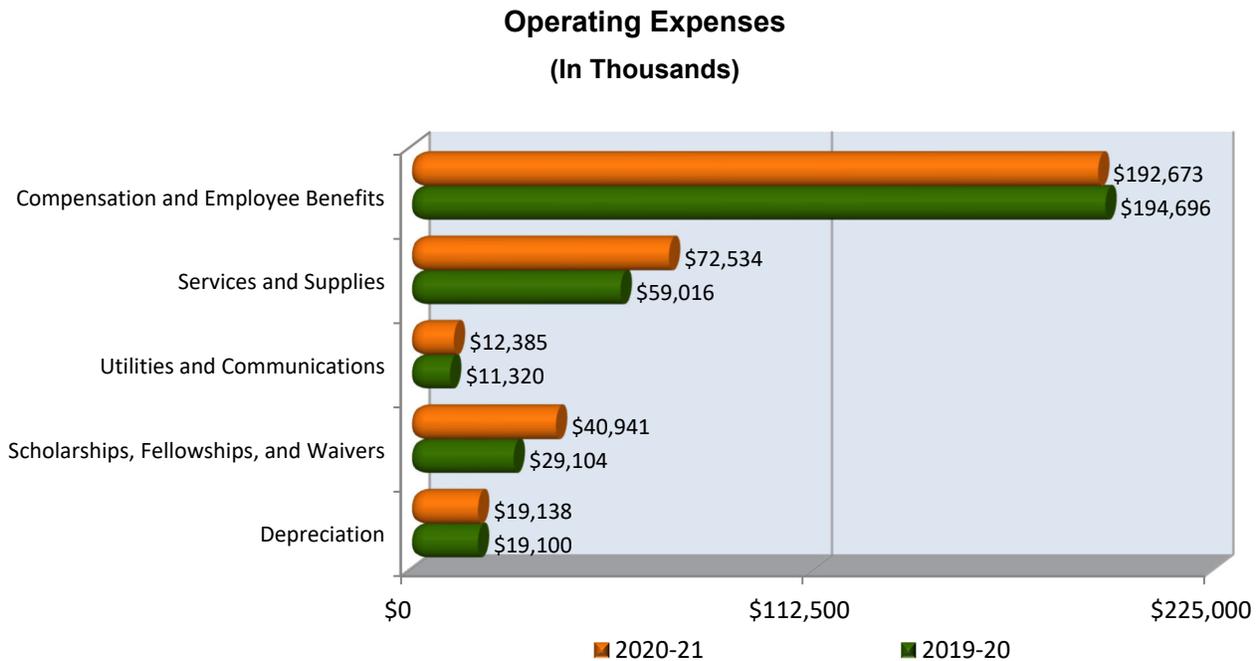
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University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

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Compensation and Employee Benefits	\$ 192,673	\$ 194,696
Services and Supplies	72,534	59,016
Utilities and Communications	12,385	11,320
Scholarships, Fellowships, and Waivers	40,941	29,104
Depreciation	19,138	19,100
Total Operating Expenses	<u>\$ 337,671</u>	<u>\$ 313,236</u>

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



Total operating expenses increased by \$24.4 million or 7.8 percent, as compared to the 2019-20 fiscal year primarily due to the following factors:

Services and supplies increased \$13.5 million, or 22.9 percent as compared to the 2019-20 fiscal year due to the increase in expenses related to the COVID-19 pandemic. These expenses include the purchase of personal protective equipment, cleaning supplies and services, and technology such as building management systems.

Scholarships, fellowships, and waivers increased \$11.8 million, or 40.7 percent, primarily due to Coronavirus Aid, Relief, and Economic Security (CARES) Act emergency student aid disbursements, and reducing accounts receivable debt for students.

These expenses qualified for reimbursement through CARES funding provided to the University from the ED.

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 2020-21 and 2019-20 fiscal years:

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

	2020-21	2019-20
State Noncapital Appropriations	\$ 124,106	\$ 122,766
Federal and State Student Financial Aid	35,986	36,915
Noncapital Grants, Contracts, and Gifts	52,522	2,168
Investment Income	894	1,362
Unrealized Gains (Loss) on Investments	(2,408)	961
Other Nonoperating Revenues	113,574	142
Loss on Disposal of Capital Assets	(462)	(535)
Interest on Capital Asset-Related Debt	-	(1,920)
Other Nonoperating Expenses	(12,895)	(5,083)
Net Nonoperating Revenues	\$ 311,317	\$ 156,776

Net nonoperating revenues increased by \$154.5 million, or 98.6 percent, as compared to the 2019-20 fiscal year primarily due to the following factors:

Noncapital grants, contracts, and gifts revenues increased by \$50.4 million primarily due to funding the University received from the ED under the Higher Education Emergency Relief Fund and Coronavirus Response and Relief Supplemental Appropriations Act funding to address COVID-19 pandemic, approximately \$132.7 million. From these funds, the University expensed approximately \$61.3 million for emergency grant funds to students, student account receivable debt, and University COVID-19 related expenses. During the 2020-21 fiscal year, the University received and expensed \$53.7 million of these funds.

Other nonoperating revenues increased by \$113.4 million primarily due to the forgiveness of the capital improvement debt of \$111.9 million by the U.S. Secretary of Education. In addition, the University received additional funding awarded to Historically Black Colleges and Universities (HBCU) across the country. Other nonoperating expenses increased by \$7.8 million due to COVID-19 pandemic related expenses reimbursed through the COVID-19 pandemic relief funds received from the ED.

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 2020-21 and 2019-20 fiscal years:

**Other Revenues
For the Fiscal Years
(In Thousands)**

	2020-21	2019-20
State Capital Appropriations	\$ 1,975	\$ 26,684
Capital Grants, Contracts, Donations, and Fees	2,565	650
Total	\$ 4,540	\$ 27,334

Other revenues totaled \$4.5 million for the 2020-21 fiscal year, representing a decrease of \$22.8 million primarily due to an increase during the 2019-20 fiscal year in State capital appropriations related to the construction of the CASS building.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2020-21 and 2019-20 fiscal years:

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

	2020-21	2019-20
Cash Provided (Used) by:		
Operating Activities	\$ (171,762)	\$ (137,185)
Noncapital Financing Activities	200,020	156,091
Capital and Related Financing Activities	(11,315)	(22,801)
Investing Activities	(3,981)	(6,533)
Net Increase (Decrease) in Cash and Cash Equivalents	12,962	(10,428)
Cash and Cash Equivalents, Beginning of Year	23,445	33,873
Cash and Cash Equivalents, End of Year	\$ 36,407	\$ 23,445

Major sources of funds came from State noncapital appropriations (\$124.1 million), net student tuition and fees (\$45.1 million), grants and contracts (\$54.8 million), sales and services of auxiliary enterprises (\$30.1 million), noncapital grants, contracts, and gifts (\$51.8 million), and Federal and State student financial aid (\$36 million). Major uses of funds were for payments to and on behalf of employees totaling \$179.3 million; payments to suppliers for goods and services totaling \$84.2 million; purchase or construction of capital assets totaling \$42.6 million; and payments to and on behalf of students for scholarships totaling \$40.9 million.

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

Capital Assets

At June 30, 2021, the University had \$976.9 million in capital assets, less accumulated depreciation of \$339 million, for net capital assets of \$637.9 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)

	2021	2020
Land	\$ 25,369	\$ 25,369
Works of Art and Historical Treasures	1,043	743
Construction in Progress	106,761	97,561
Buildings	408,813	414,666
Infrastructure and Other Improvements	69,951	62,418
Furniture and Equipment	14,743	12,515
Library Resources	6,517	7,301
Property Under Capital Leases	4,626	139
Computer Software and Other Capital Assets	107	91
Capital Assets, Net	\$ 637,930	\$ 620,803

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2021, were incurred on the following projects: CASS, Student Housing – 700 Bed Facility Towers Living Learning Center, and maintenance and renovation projects. The University's construction commitments at June 30, 2021, are as follows:

	Amount (In Thousands)
Total Committed	\$ 115,012
Completed to Date	(106,761)
Balance Committed	\$ 8,251

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

Debt Administration

As of June 30, 2021, the University had \$16.6 million outstanding capital lease payable, representing a decrease of \$94.6 million, or 85.1 percent, from the prior fiscal year. The University received notification from the U.S. Secretary of Education acknowledging that, pursuant to the Consolidated Appropriations Act, 2021 (Public Law 116-260), the U.S. Secretary of Education has repaid in full each institution of higher education's balance of principal and interest on all disbursed loan amounts outstanding in full as of December 27, 2020. The University received a total amount of \$111.9 million in loan forgiveness of debt at June 30, 2021. In addition, the University used the remaining escrow reserves to extinguish the remaining balance in the amount of \$8.3 million at June 30, 2021.

The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	<u>2021</u>	<u>2020</u>
Capital Improvement Debt	\$ -	\$ 103,568
Capital Leases	16,551	7,575
Total	<u>\$ 16,551</u>	<u>\$ 111,143</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Florida Agricultural and Mechanical University’s significant source of revenue continues to be State noncapital appropriations. Therefore, the economic condition of the University is highly correlated to that of the State of Florida. The University’s Performance-Based Funding Incentives have been reduced by \$1.4 million. The Florida Legislature increased its Education and General Allocation appropriation to the University by 1.3 percent for the 2021-22 fiscal year. For the 2021-22 fiscal year, the Florida Legislature increased its appropriation to the State university system by \$203.4 million, or 4 percent.

Enrollment is an essential factor in the outcome of the University’s financial condition. Enrollment for Fall 2021 has decreased by 2 percent compared to the previous year. The University projects enrollment growth based on the last 7 years of historical headcount trend through the 2021-22 fiscal year. The University has always placed a strategic emphasis on student success by structuring 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 continue to strengthen educational programs and administrative units through expanded assessment tools, data analytics, and performance management.

Overall, the national economic climate resulting from the COVID-19 pandemic and the State’s priorities will continue to shape the appropriations landscape in 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 W. Rebecca Brown, Interim Vice President for Finance and Administration and Chief Financial Officer, Florida Agricultural and Mechanical University, 1601 South Martin Luther King Jr. Blvd., Tallahassee, Florida 32307.

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BASIC FINANCIAL STATEMENTS

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

June 30, 2021

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 27,267,203	\$ 6,509,294
Investments	61,343,991	3,948,341
Accounts Receivable, Net	18,091,893	76,489
Loans and Notes Receivable, Net	27,756	-
Due from State	5,811,161	-
Due from Component Units	454,721	-
Inventories	2,073,640	-
Other Current Assets	-	381,415
Total Current Assets	115,070,365	10,915,539
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,139,736	-
Restricted Investments	5,140,912	154,357,798
Loans and Notes Receivable, Net	916,548	-
Depreciable Capital Assets, Net	504,757,282	143,934
Nondepreciable Capital Assets	133,172,643	27,000
Other Noncurrent Assets	2,769,745	1,772,840
Total Noncurrent Assets	655,896,866	156,301,572
Total Assets	770,967,231	167,217,111
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	7,988,247	-
Pensions	36,475,341	-
Total Deferred Outflows of Resources	44,463,588	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,965,651	479,650
Construction Contracts Payable	4,368,198	-
Salary and Wages Payable	5,343,992	254,062
Deposits Payable	2,473,843	-
Due to State	107,409	-
Due to University	-	454,721
Unearned Revenue	11,604,678	-
Long-Term Liabilities - Current Portion:		
Capital Leases Payable	1,650,142	-
Compensated Absences Payable	1,554,360	-
Other Postemployment Benefits Payable	870,840	-
Net Pension Liability	285,699	-
Total Current Liabilities	37,224,812	1,188,433

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Leases Payable	14,900,874	-
Compensated Absences Payable	22,032,289	-
Other Postemployment Benefits Payable	52,801,079	-
Net Pension Liability	110,445,978	-
Other Noncurrent Liabilities	1,579,745	2,769,745
Total Noncurrent Liabilities	<u>201,759,965</u>	<u>2,769,745</u>
Total Liabilities	<u>238,984,777</u>	<u>3,958,178</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	25,970,309	-
Pensions	5,139,896	-
Total Deferred Inflows of Resources	<u>31,110,205</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	617,010,711	170,934
Restricted for Nonexpendable:		
Endowment	-	92,852,706
Restricted for Expendable:		
Loans	259,185	-
Capital Projects	10,216,823	-
Other	315,223	67,494,217
Unrestricted	<u>(82,466,105)</u>	<u>2,741,076</u>
TOTAL NET POSITION	<u>\$ 545,335,837</u>	<u>\$ 163,258,933</u>

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, 2021

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$36,160,098	\$ 41,455,061	\$ -
Federal Grants and Contracts	42,100,147	-
State and Local Grants and Contracts	11,318,002	-
Nongovernmental Grants and Contracts	2,104,742	-
Sales and Services of Auxiliary Enterprises	30,489,480	-
Other Operating Revenues	5,990,597	46,624,492
Total Operating Revenues	133,458,029	46,624,492
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	192,673,235	1,889,658
Services and Supplies	72,533,897	4,914,007
Utilities and Communications	12,384,769	59,214
Scholarships, Fellowships, and Waivers	40,941,143	1,794,400
Depreciation	19,138,397	17,869
Total Operating Expenses	337,671,441	8,675,148
Operating Income (Loss)	(204,213,412)	37,949,344
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	124,106,117	-
Federal and State Student Financial Aid	35,986,180	-
Noncapital Grants, Contracts, and Gifts	52,522,198	10,402
Investment Income	893,601	250,892
Other Nonoperating Revenues	113,573,786	2,847,154
Unrealized Losses on Investments	(2,408,096)	-
Loss on Disposal of Capital Assets	(462,034)	-
Other Nonoperating Expenses	(12,894,686)	(615,524)
Net Nonoperating Revenues	311,317,066	2,492,924
Income Before Other Revenues	107,103,654	40,442,268
State Capital Appropriations	1,975,574	-
Capital Grants, Contracts, Donations, and Fees	2,564,607	-
Increase in Net Position	111,643,835	40,442,268
Net Position, Beginning of Year	433,692,002	122,867,650
Adjustment to Beginning Net Position	-	(50,985)
Net Position, Beginning of Year, as Restated	433,692,002	122,816,665
Net Position, End of Year	\$ 545,335,837	\$ 163,258,933

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, 2021

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 45,146,347
Grants and Contracts	54,799,243
Sales and Services of Auxiliary Enterprises	30,067,643
Payments to Employees	(179,309,117)
Payments to Suppliers for Goods and Services	(84,191,873)
Payments to Students for Scholarships and Fellowships	(40,941,143)
Other Operating Receipts	2,666,684
	(171,762,216)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	124,106,117
Noncapital Grants, Contracts, and Gifts	51,813,416
Federal and State Student Financial Aid	35,986,180
Federal Direct Loan Program Receipts	64,356,348
Federal Direct Loan Program Disbursements	(64,356,348)
Net Change in Funds Held for Others	3,083,936
Other Nonoperating Disbursements	(14,969,483)
	200,020,166
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	18,223,250
State Capital Appropriations	17,951,579
Purchase or Construction of Capital Assets	(42,594,628)
Principal Paid on Capital Debt and Leases	(3,795,898)
Interest Paid on Capital Debt and Leases	(1,099,662)
	(11,315,359)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(5,356,187)
Investment Income	1,375,661
	(3,980,526)
Net Increase in Cash and Cash Equivalents	12,962,065
Cash and Cash Equivalents, Beginning of Year	23,444,874
Cash and Cash Equivalents, End of Year	\$ 36,406,939

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (204,213,412)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	19,138,397
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,842,965)
Inventories	(1,158,494)
Accounts Payable	1,885,286
Salaries and Wages Payable	570,078
Deposits Payable	(42,309)
Compensated Absences Payable	1,517,429
Unearned Revenue	1,107,163
Other Postemployment Benefits Payable	(15,859,281)
Net Pension Liability	17,506,132
Deferred Outflows of Resources Related to Other Postemployment Benefits	2,324,025
Deferred Inflows of Resources Related to Other Postemployment Benefits	14,296,572
Deferred Outflows of Resources Related to Pensions	(3,394,170)
Deferred Inflows of Resources Related to Pensions	(3,596,667)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (171,762,216)</u>

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

Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (2,408,096)
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.	\$ (462,034)
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.	\$ 58,824
HBCU Bond forgiveness was recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 111,860,581

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 Annual Comprehensive 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. (Foundation) 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. (Alumni Association) provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- FAMU Rattler Boosters, Inc. (Boosters) provides contributions to the University to stimulate the education, health, and physical welfare of the students.

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

reports, is available by contacting the University Public Relations or, for the Boosters, by contacting the Athletic Director. Audited financial statements can be obtained from the Interim Vice President for Finance and Administration, 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.

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, 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 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 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.

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

2. Adjustment to Beginning Net Position – Component Unit

The beginning net position of the discretely presented component units was decreased by \$50,985 due mainly to an adjustment made to reclass \$50,984 from expendable net position to Agency Funds net position of the Foundation financial statements during the 2019-20 fiscal year.

3. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (124,625,825)
Auxiliary Funds	42,159,720
Total	\$ (82,466,105)

4. Investments

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

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

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

The University's investments at June 30, 2021, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 61,343,991	\$ -	\$ -	\$ 61,343,991
Honeywell Energy Saving Performance Contract:				
Debt Service Account	5,140,912	5,140,912	-	-
Total investments by fair value level	\$ 66,484,903	\$ 5,140,912	\$ -	\$ 61,343,991
Total investments measured at fair value	\$ 66,484,903			

External Investment Pools.

The University reported investments at fair value totaling \$61,343,991 at June 30, 2021, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.6 years, and fair value factor of 0.984 at June 30, 2021. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Honeywell Energy Savings Performance Contract Debt Service Account.

The University reported investments totaling \$5,140,912 at June 30, 2021, in the Honeywell Energy Saving Performance Contract Debt Service Accounts. These investments are used to create future energy savings based on capital improvements made to existing assets using the debt financing issued by the Signature Bank for the benefit of the University. The University relies on policies developed by the Signature Public Funding Corp for managing interest rate risk and credit risk for these accounts.

Component Units Investments.

The component units' investments are stated at fair value. GASB Statement no 72, Fair Value Measurement and Application establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation methodology for an asset or liability as of the measurement date. The valuation hierarchy assigns highest priority to Level 1 measurements, and lowest priority to Level 3 measurements. The three levels are defined as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Instruments in this category include money market funds and common stocks traded on exchanges such as the New York Stock Exchange.

Level 2 Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets. In addition, they may include quoted prices for identical or similar assets or liabilities in markets that are not active. Instruments in this category include some corporate and municipal bonds that may not be traded frequently and real estate property.

Level 3 Financial assets and liabilities whose values are based on unobservable inputs for the asset or liability. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value using the best information available under the circumstances. Instruments in this category include investments in hedge funds and real estate funds.

Investments held by the University's component units, Foundation, Alumni Association, and Boosters at June 30, 2021, are reported at fair value as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Government Securities	\$ 8,089,401	\$ 4,991,740	\$ 3,097,661	\$ -
Corporate Bonds	2,485,971	2,485,971	-	-
Common Stocks	28,193,917	28,193,917	-	-
Commingled Funds	85,491,963	-	85,491,963	-
Hedge Funds	5,701,836	-	5,701,836	-
Real Estate Property	1,393,762	-	1,393,762	-
Accrued Interest/Unsettled Transactions	88,514	88,514	-	-
Money Market Funds	1,520,453	1,520,453	-	-
Total investments by fair value level	<u>\$ 132,965,817</u>	<u>\$ 37,280,595</u>	<u>\$ 95,685,222</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Commingled Funds	8,220,098			
Real Estate Funds	5,422,192			
Limited Partnership	11,698,032			
Total investments measured at NAV	<u>25,340,322</u>			
Total investments measured at fair value	<u>\$ 158,306,139</u>			

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and interest accrued on investments and loans receivable.

As of June 30, 2021, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 18,925,072
Contracts and Grants	5,740,822
Interest Receivable	<u>694,226</u>
Total Accounts Receivable	25,360,120
Allowance for Doubtful Accounts	<u>(7,268,227)</u>
Total Accounts Receivable, Net	<u>\$ 18,091,893</u>

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 \$7,268,227 and \$1,371,390, respectively, at June 30, 2021.

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

6. Due From State

The amount due from State consists of \$5,811,161 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 25,369,275	\$ -	\$ -	\$ -	\$ 25,369,275
Works of Art and Historical Treasures	742,634	-	300,000	-	1,042,634
Construction in Progress	97,560,937	-	24,925,839	15,726,042	106,760,734
Total Nondepreciable Capital Assets	\$ 123,672,846	\$ -	\$ 25,225,839	\$ 15,726,042	\$ 133,172,643
Depreciable Capital Assets:					
Buildings	\$ 599,566,339	\$ -	\$ 5,761,012	\$ -	\$ 605,327,351
Infrastructure and Other Improvements	92,864,384	-	9,965,030	-	102,829,414
Furniture and Equipment	59,736,958	380,480	5,996,212	1,294,453	64,819,197
Library Resources	64,574,029	-	815,991	257,675	65,132,345
Property Under Capital Leases	1,206,141	-	4,644,041	380,480	5,469,702
Works of Art and Historical Treasures	42,450	-	-	-	42,450
Computer Software and Other Capital Assets	126,243	-	45,241	-	171,484
Total Depreciable Capital Assets	818,116,544	380,480	27,227,527	1,932,608	843,791,943
Less, Accumulated Depreciation:					
Buildings	184,900,006	-	11,614,668	-	196,514,674
Infrastructure and Other Improvements	30,446,315	-	2,431,862	-	32,878,177
Furniture and Equipment	47,221,909	241,225	3,445,468	832,419	50,076,183
Library Resources	57,273,679	-	1,599,072	257,675	58,615,076
Property Under Capital Leases	1,066,883	-	17,877	241,224	843,536
Works of Art and Historical Treasures	42,450	-	-	-	42,450
Computer Software and Other Capital Assets	35,115	-	29,450	-	64,565
Total Accumulated Depreciation	320,986,357	241,225	19,138,397	1,331,318	339,034,661
Total Depreciable Capital Assets, Net	\$ 497,130,187	\$ 139,255	\$ 8,089,130	\$ 601,290	\$ 504,757,282

(1) Adjustments to the capital asset records are due to the asset and accumulated depreciation balances that were previously accounted for in Property Under Capital Leases were transferred to Furniture and Equipment subsequent to the payoff of the assets.

8. Unearned Revenue

Unearned revenue at June 30, 2021, 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, 2021, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 10,076,704
Student Tuition and Fees	1,527,974
Total Unearned Revenue	\$ 11,604,678

9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2021, include 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, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 103,567,549	\$ 18,223,250	\$ 121,790,799	\$ -	\$ -
Capital Leases Payable (1)	7,574,758	9,784,955	808,697	16,551,016	1,650,142
Compensated Absences Payable	22,069,221	2,802,490	1,285,062	23,586,649	1,554,360
Other Postemployment Benefits Payable	69,531,200	20,401,629	36,260,910	53,671,919	870,840
Net Pension Liability	93,225,545	55,713,639	38,207,507	110,731,677	285,699
Other Noncurrent Liabilities	1,906,827	-	327,082	1,579,745	-
Total Long-Term Liabilities	\$ 297,875,100	\$ 106,925,963	\$ 198,680,057	\$ 206,121,006	\$ 4,361,041

(1) The University entered into a capital lease agreement and received proceeds totaling \$9,421,538. As of June 30, 2021, the University acquired and installed energy saving equipment totaling \$4,280,626 using the proceeds received.

The University received notification from the U.S. Secretary Education acknowledging that, pursuant to The Consolidated Appropriations Act, 2021 (Public Law 116-260), the U.S. Secretary of Education has repaid in full each institution of higher education's balance of principal and interest on all disbursed loan amounts outstanding in full as of December 27, 2020. The University received a total amount of \$111,906,562 in loan forgiveness of debt at June 30, 2021, in addition to, the University used the remaining escrow reserves to extinguish the remaining balance on the 2019 Series-4 Bond in the amount of \$8,286,088 at June 30, 2021.

Capital Leases Payable. In the 2011-12 fiscal year, the University entered into a capital lease agreement totaling \$12,302,562 to finance an energy performance savings contract. The stated interest rate is 2.5646 percent. In the 2020-21 fiscal year, the University entered into a capital lease agreement totaling \$9,421,538 to finance an energy performance savings contract. The stated interest rate is 2.1 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 2,070,644
2023	1,832,692
2024	1,804,954
2025	1,730,643
2026	1,745,650
2027-2031	6,131,076
2032-2036	3,601,269
Total Minimum Payments	18,916,928
Less, Amount Representing Interest	2,365,912
Present Value of Minimum Payments	\$ 16,551,016

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded

primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$23,586,649. The current portion of the compensated absences liability, \$1,554,360, 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 \$53,671,919 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.52 percent, which was a decrease of 0.03 percent to its proportionate share reported as of June 30, 2020.

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

Inflation	2.6 percent
Salary increases	Varies by FRS Class
Discount rate	2.66 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	7.78 percent for 2021, decreasing to a maximum rate of 4.04 percent for 2076 and later years
Health Maintenance Organization Plan	5.66 percent for 2021, decreasing to a maximum rate of 4.04 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Standard & Poor's Municipal Bond 20-Year High Grade Rate Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2019, valuation were on the same demographic assumptions that were used for the Florida Retirement System July 1, 2018, Actuarial Valuation, with the exception of mortality.

The Demographic assumptions were based on 2014 Experience Study prepared by Milliman on September 8, 2014. Updated Assumptions for the FRS July 1, 2018, Actuarial Valuation were approved by the 2018 Actuarial Assumptions Conference.

The following change has been made since the prior valuation:

- The census data reflects changes in status for the 12-month period since July 1, 2020.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 2.66 percent. The prior GASB Statement No. 75 report used 2.79 percent. The GASB Statement No. 75 discount rate is based on the 20-year S&P municipal bond rate as of the measurement date.
- The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12 percent. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13 percent.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2020 Report on Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- Mortality rates were updated to align with those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables

were updated to use PUB-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the Total OPEB Liability by about 5 percent.

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

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

	<u>1% Decrease (1.66%)</u>	<u>Current Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
University's proportionate share of the total OPEB liability	\$64,370,859	\$53,671,919	\$45,276,176

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$44,003,572	\$53,671,919	\$66,465,916

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

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of \$1,654,087. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,135,901
Change of assumptions or other inputs	7,095,606	20,311,405
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	-	2,523,003
Transactions subsequent to the measurement date	892,641	-
Total	\$ 7,988,247	\$ 25,970,309

Of the total amount reported as deferred outflows of resources related to OPEB, \$892,641 resulting from benefit payments and administrative expense subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ (3,578,417)
2023	(3,578,417)
2024	(3,578,417)
2025	(3,578,417)
2026	(2,588,406)
Thereafter	(1,972,629)
Total	\$ (18,874,703)

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 \$1,579,745 at June 30, 2021.

Net Pension Liability. As a participating employer in the FRS, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2021, the University's proportionate share of the net pension liabilities totaled \$110,731,677. Note 10. includes a complete discussion of defined benefit pension plans.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution

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

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

The University's FRS and HIS pension expense totaled \$19,295,667 for the fiscal year ended June 30, 2021.

FRS Pension Plan

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

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

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

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$7,533,912 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$84,842,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.195748232 percent, which was a decrease of 0.006565977 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$17,296,197. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,247,006	\$ -
Change of assumptions	15,358,770	-
Net difference between projected and actual earnings on FRS Plan investments	5,051,465	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	2,774,218
University FRS contributions subsequent to the measurement date	7,533,912	-
Total	\$ 31,191,153	\$ 2,774,218

The deferred outflows of resources totaling \$7,533,912, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the

fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 4,155,990
2023	6,959,082
2024	5,894,777
2025	3,338,833
2026	534,341
Total	\$ 20,883,023

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments

of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2020 valuation was updated from 6.90 percent to 6.80 percent.

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

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
University's proportionate share of the net pension liability	\$135,475,491	\$84,842,072	\$42,549,327

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$1,246,460 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$25,889,605 for its proportionate share of the net pension liability. The current portion of the net pension liability is the

University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.212038898 percent, which was an increase of 0.001552274 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of \$1,999,470. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,059,042	\$ 19,972
Change of assumptions	2,783,870	1,505,379
Net difference between projected and actual earnings on HIS Plan investments	20,670	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	174,146	840,327
University HIS contributions subsequent to the measurement date	1,246,460	-
Total	\$ 5,284,188	\$ 2,365,678

The deferred outflows of resources totaling \$1,246,460, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 484,069
2023	305,645
2024	(50,741)
2025	176,638
2026	376,638
Thereafter	379,801
Total	\$ 1,672,050

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2020 valuation was updated from 3.50 percent to 2.21 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
University's proportionate share of the net pension liability	\$29,972,227	\$25,889,605	\$22,584,822

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

11. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit

depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University’s Investment Plan pension expense totaled \$1,520,459 for the fiscal year ended June 30, 2021.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.44 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$3,798,113, and employee contributions totaled \$2,369,621 for the 2020-21 fiscal year.

12. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Center for Academic and Student Success Student Housing - 700 Bed Facility	\$ 38,314,924	\$ 35,664,892	\$ 2,650,032
Towers Living Learning Center	63,597,260	63,340,216	257,044
Developmental Research School	347,646	343,938	3,708
Campus Fencing	558,123	558,123	-
Maintenance and Renovations	12,194,277	6,853,565	5,340,712
Total	<u>\$ 115,012,230</u>	<u>\$ 106,760,734</u>	<u>\$ 8,251,496</u>

13. Operating Lease Commitments

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 227,471
2023	101,952
Total Minimum Payments Required	<u>\$ 329,423</u>

14. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive

liability, Federal Civil Rights, and employment discrimination liability. During the 2020-21 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$62.75 million for named windstorm and flood through February 14, 2021, and decreased to \$57.5 million starting February 15, 2021. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$162.25 million through February 14, 2021, and increased to \$167.5 million starting February 15, 2021; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

15. Litigation

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

16. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 90,996,685
Research	26,426,535
Public Services	695,539
Academic Support	52,118,737
Student Services	13,104,659
Institutional Support	38,283,122
Operation and Maintenance of Plant	25,939,158
Scholarships, Fellowships, and Waivers	40,941,143
Depreciation	19,138,397
Auxiliary Enterprises	30,027,466
Total Operating Expenses	\$ 337,671,441

17. Discretely Presented Component Units

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

Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>			<u>Total</u>
	<u>Florida Agricultural and Mechanical University Foundation, Inc.</u>	<u>Florida Agricultural and Mechanical University National Alumni Association, Inc.</u>	<u>FAMU Rattler Boosters, Inc.</u>	
Assets:				
Current Assets	\$ 8,440,870	\$ 2,309,820	\$ 164,849	\$ 10,915,539
Capital Assets, Net	170,934	-	-	170,934
Other Noncurrent Assets	155,508,262	596,804	25,572	156,130,638
Total Assets	164,120,066	2,906,624	190,421	167,217,111
Liabilities:				
Current Liabilities	999,935	188,498	-	1,188,433
Noncurrent Liabilities	2,769,745	-	-	2,769,745
Total Liabilities	3,769,680	188,498	-	3,958,178
Net Position:				
Net Investment in Capital Assets	170,934	-	-	170,934
Restricted Nonexpendable	90,504,767	2,207,374	140,565	92,852,706
Restricted Expendable	67,397,887	96,330	-	67,494,217
Unrestricted	2,276,798	414,422	49,856	2,741,076
Total Net Position	\$ 160,350,386	\$ 2,718,126	\$ 190,421	\$ 163,258,933

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

	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	FAMU Rattler Boosters, Inc.	
Operating Revenues	\$ 46,072,852	\$ 446,617	\$ 105,023	\$ 46,624,492
Operating Expenses	(8,467,387)	(178,585)	(29,176)	(8,675,148)
Operating Income	37,605,465	268,032	75,847	37,949,344
Nonoperating Expenses	-	(568,947)	(46,577)	(615,524)
Other Revenue	2,395,030	670,907	42,511	3,108,448
Increase in Net Position	40,000,495	369,992	71,781	40,442,268
Net Position, Beginning of Year	120,400,875	2,348,135	118,640	122,867,650
Adjustment to Beginning Net Position (1)	(50,984)	(1)	-	(50,985)
Net Position, Beginning of Year, as Restated	120,349,891	2,348,134	118,640	122,816,665
Net Position, End of Year	\$ 160,350,386	\$ 2,718,126	\$ 190,421	\$ 163,258,933

(1) Beginning Net Position was adjusted as a result of a reclassification of expendable net position as described in Note 2.

18. 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. The Florida Classic Game scheduled on November 21, 2020, was cancelled due to the Pandemic.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	0.52%	0.55%	0.55%	0.55%
University's proportionate share of the total other postemployment benefits liability	\$ 53,671,919	\$ 69,531,200	\$ 58,034,000	\$ 59,972,000
University's covered-employee payroll	\$ 116,309,686	\$ 114,039,416	\$ 113,789,082	\$ 112,860,919
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	46.15%	60.97%	51.00%	53.14%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the FRS net pension liability	0.195748232%	0.202314209%	0.209281509%	0.210759036%
University's proportionate share of the FRS net pension liability	\$ 84,842,072	\$ 69,674,197	\$ 63,036,676	\$ 62,341,109
University's covered payroll (2)	\$ 116,309,686	\$ 114,039,416	\$ 113,789,082	\$ 112,860,919
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	72.94%	61.10%	55.40%	55.24%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 7,533,912	\$ 6,503,846	\$ 6,273,200	\$ 5,964,355
FRS contributions in relation to the contractually required contribution	<u>(7,533,912)</u>	<u>(6,503,846)</u>	<u>(6,273,200)</u>	<u>(5,964,355)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 116,548,787	\$ 116,309,686	\$ 114,039,416	\$ 113,789,082
FRS contributions as a percentage of covered payroll	6.46%	5.59%	5.50%	5.24%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.212314988%	0.218226097%	0.219223139%	0.192935113%
\$ 53,609,701	\$ 28,186,827	\$ 13,375,835	\$ 33,212,720
\$ 111,280,144	\$ 109,391,428	\$ 106,068,813	\$ 103,898,906
48.18%	25.77%	12.61%	31.97%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 5,486,577	\$ 5,177,640	\$ 5,320,538	\$ 4,801,917
<u>(5,486,577)</u>	<u>(5,177,640)</u>	<u>(5,320,538)</u>	<u>(4,801,917)</u>
\$ -	\$ -	\$ -	\$ -
\$ 112,860,919	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813
4.86%	4.65%	4.86%	4.53%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the HIS net pension liability	0.212038898%	0.210486624%	0.213410955%	0.220156699%
University's proportionate share of the HIS net pension liability	\$ 25,889,605	\$ 23,551,348	\$ 22,587,656	\$ 23,540,170
University's covered payroll (2)	\$ 70,655,308	\$ 68,850,145	\$ 68,588,401	\$ 68,546,066
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	36.64%	34.21%	32.93%	34.34%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 1,246,460	\$ 1,221,881	\$ 1,168,812	\$ 1,157,333
HIS contributions in relation to the contractually required HIS contribution	<u>(1,246,460)</u>	<u>(1,221,881)</u>	<u>(1,168,812)</u>	<u>(1,157,333)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 72,352,927	\$ 70,655,308	\$ 68,850,145	\$ 68,588,401
HIS contributions as a percentage of covered payroll	1.72%	1.73%	1.70%	1.69%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.225242384%	0.224601105%	0.224264902%	0.220974771%
\$ 26,251,067	\$ 22,905,780	\$ 20,969,316	\$ 19,238,759
\$ 69,785,144	\$ 66,541,722	\$ 65,648,265	\$ 62,952,635
37.62%	34.42%	31.94%	30.56%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,165,133	\$ 1,154,511	\$ 858,565	\$ 768,256
<u>(1,165,133)</u>	<u>(1,154,511)</u>	<u>(858,565)</u>	<u>(768,256)</u>
\$ -	\$ -	\$ -	\$ -
\$ 68,546,066	\$ 69,785,444	\$ 66,541,722	\$ 65,648,265
1.70%	1.65%	1.29%	1.17%

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

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

Changes of Assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the census data, a change to the discount rate, the Excise Tax that did not come into effect in 2022, the use of actual claims information, an update in the trend rate, and an update to the mortality rate. Refer to Note 9. to the financial statement for further detail.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 6.90 percent to 6.80 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 28, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2022