

Report No. 2024-188
March 2024

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

**FLORIDA AGRICULTURAL AND
MECHANICAL UNIVERSITY**

For the Fiscal Year Ended
June 30, 2023



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2022-23 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	Michael Dubose
Kristin Harper, Vice Chair from 4-19-23 ^a	Nattie G. Figgers from 3-29-23 ^e
Kimberly Ann Moore through 3-28-23, Vice Chair ^a	Deveron Gibbons J.D. from 3-29-23
Zachary Chandler Bell through 4-30-23 ^b	Londe Mondelus from 5-1-23 ^b
Ann Marie Cavazos ^c	Belvin Perry Jr.
Otis Cliatt II	Craig Reed
John Crossman from 6-22-23 ^d	Kenward Stone
Thomas W. Dortch Jr. through 2-14-23 ^d	Nicole Washington

^a Vice Chair position vacant from 3-29-23, through 4-18-23.

^b Student Body President.

^c Faculty Senate Chair.

^d Trustee position vacant from 2-15-23, through 6-21-23.

^e Trustee position vacant from 7-1-22, through 3-28-23.

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 P. Boyd, CPA, 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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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE 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 obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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, 2023, 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.

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 as of June 30, 2023. 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Governmental Auditing Standards*). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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** be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2024, 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 University's 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, 2024

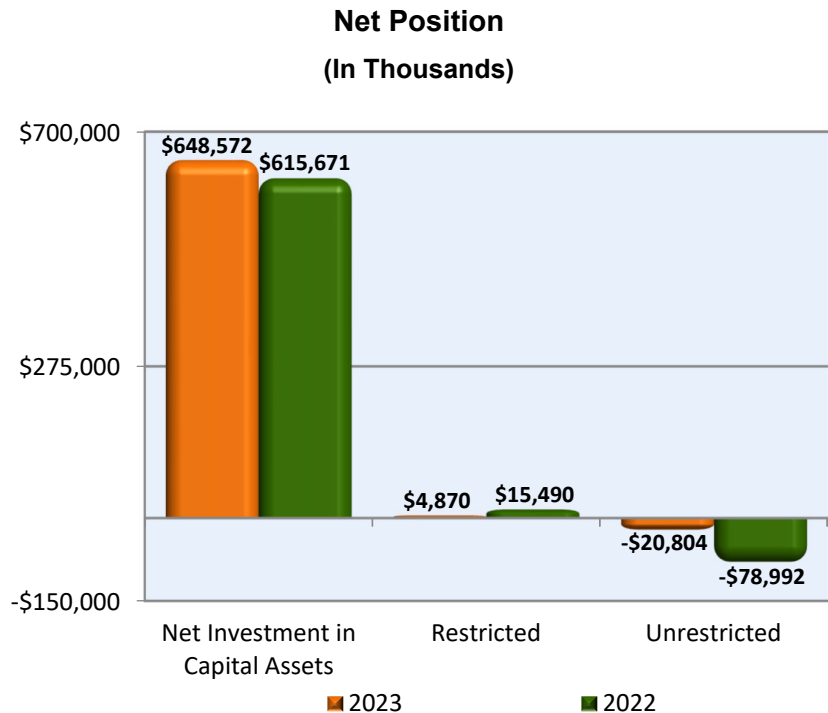
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023, 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, 2023, and June 30, 2022.

FINANCIAL HIGHLIGHTS

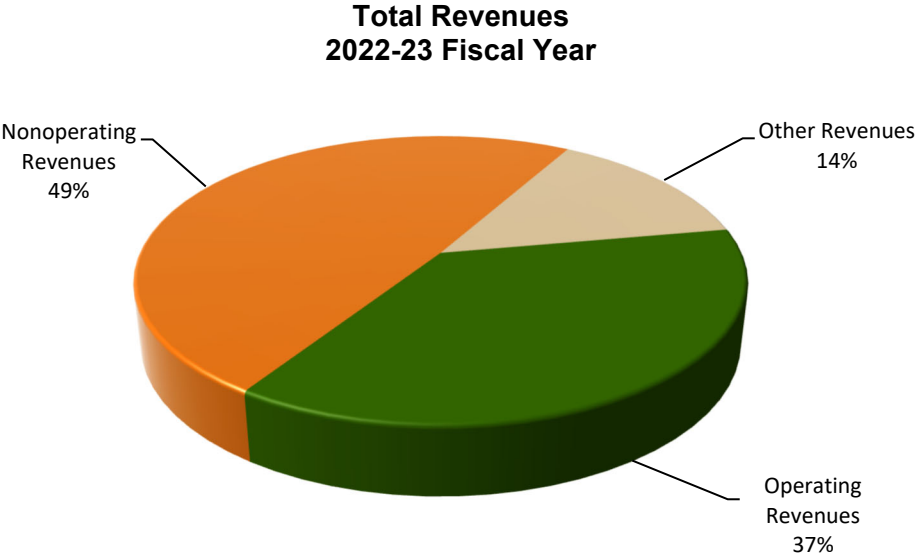
The University's assets and deferred outflows of resources totaled \$903.8 million at June 30, 2023. This balance reflects a \$98 million, or 12.2 percent, increase as compared to the 2021-22 fiscal year. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by \$17.5 million, or 6.9 percent, totaling \$271.1 million at June 30, 2023, resulting from an increase in current liabilities of \$13.8 million, an increase in noncurrent liabilities of \$44.2 million, and a decrease in deferred inflows of resources of \$40.5 million. As a result, the University's net position increased by \$80.5 million, resulting in a year-end balance of \$632.6 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, 2023, and June 30, 2022, is shown in the following graph:



The University's operating revenues totaled \$173.5 million for the 2022-23 fiscal year, representing a 36.6 percent increase compared to the 2021-22 fiscal year. Operating expenses totaled \$375 million for the 2022-23 fiscal year, representing an increase of 8.5 percent as compared to the 2021-22 fiscal year.

The following chart provides a graphical presentation of University revenues by category for the 2022-23 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)

	2023	2022
Assets		
Current Assets	\$ 186,602	\$ 128,483
Capital Assets, Net	666,066	632,798
Other Noncurrent Assets	6,963	8,525
Total Assets	859,631	769,806
Deferred Outflows of Resources	44,119	35,946
Liabilities		
Current Liabilities	58,238	44,446
Noncurrent Liabilities	173,794	129,579
Total Liabilities	232,032	174,025
Deferred Inflows of Resources	39,080	79,558
Net Position		
Net Investment in Capital Assets	648,572	615,671
Restricted	4,870	15,490
Unrestricted	(20,804)	(78,992)
Total Net Position	\$ 632,638	\$ 552,169

Total assets increased by \$89.8 million, total liabilities increased by \$58 million, and total net position increased by \$80.5 million. Current assets increased primarily due to increases in due from State mainly due to increases in revenue generated by State appropriations deferred maintenance funding. The increase in noncurrent liabilities of \$44.2 million was primarily due to the increase in net pension liability.

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 2022-23 and 2021-22 fiscal years:

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

(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Operating Revenues	\$ 173,470	\$ 127,018
Less, Operating Expenses	<u>375,003</u>	<u>345,475</u>
Operating Loss	(201,533)	(218,457)
Net Nonoperating Revenues	<u>218,507</u>	<u>219,057</u>
Income Before Other Revenues	16,974	600
Other Revenues	<u>63,495</u>	<u>6,233</u>
Net Increase In Net Position	<u>80,469</u>	<u>6,833</u>
Net Position, Beginning of Year	<u>552,169</u>	<u>545,336</u>
Net Position, End of Year	<u><u>\$ 632,638</u></u>	<u><u>\$ 552,169</u></u>

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 2022-23 and 2021-22 fiscal years:

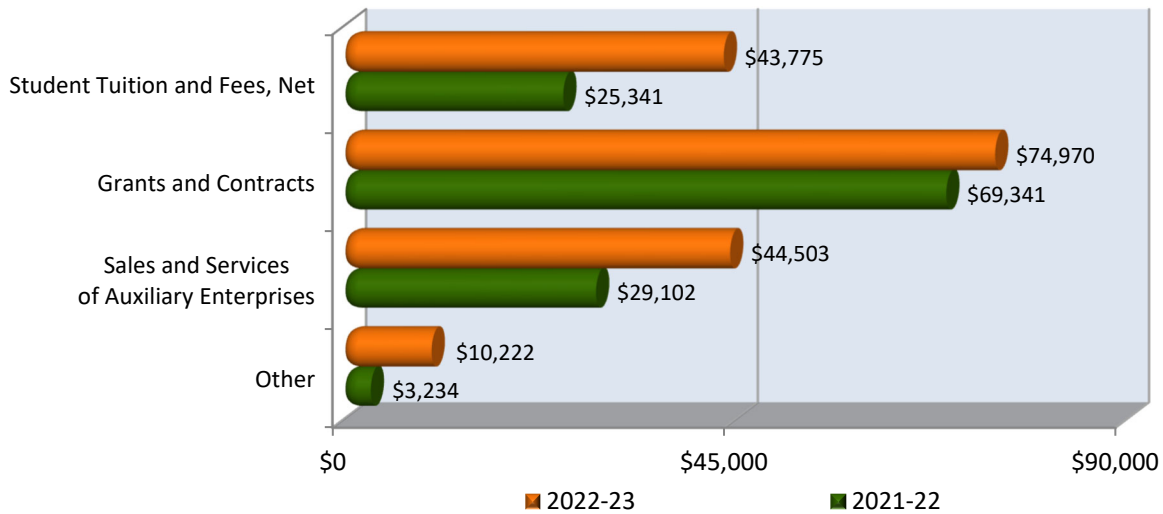
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Student Tuition and Fees, Net	\$ 43,775	\$ 25,341
Grants and Contracts	74,970	69,341
Sales and Services of Auxiliary Enterprises	44,503	29,102
Other	<u>10,222</u>	<u>3,234</u>
Total Operating Revenues	<u><u>\$ 173,470</u></u>	<u><u>\$ 127,018</u></u>

The following chart presents the University's operating revenues for the 2022-23 and 2021-22 fiscal years:

Operating Revenues
(In Thousands)



University operating revenues increased by \$46.5 million, or 36.6 percent, as a result of the following factors:

Student tuition and fees, net increased by \$18.4 million due primarily to the decrease in the scholarship allowance calculation from decreased COVID-19 funding. Operating revenues increased in grants and contracts revenue of \$5.6 million due to increases in Federal and State and Local grant and contract funding.

Operating Expenses

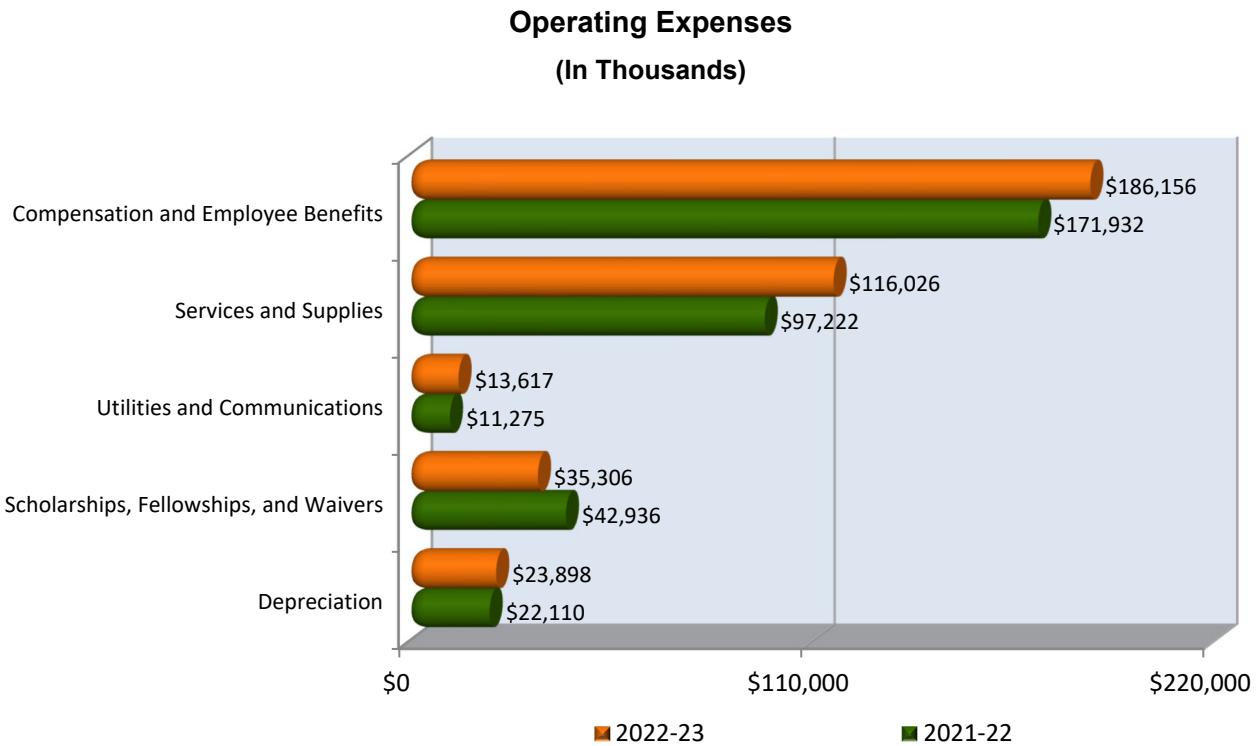
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University 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 2022-23 and 2021-22 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Compensation and Employee Benefits	\$ 186,156	\$171,932
Services and Supplies	116,026	97,222
Utilities and Communications	13,617	11,275
Scholarships, Fellowships, and Waivers	35,306	42,936
Depreciation	23,898	22,110
Total Operating Expenses	<u>\$ 375,003</u>	<u>\$345,475</u>

The following chart presents the University's operating expenses for the 2022-23 and 2021-22 fiscal years:



Total operating expenses increased by \$29.5 million or 8.5 percent, as compared to the 2021-22 fiscal year primarily due to the following factors:

Services and supplies increased by \$18.8 million, or 19.3 percent, as compared to the 2021-22 fiscal year due to the increase in noncapitalized expenses related to current construction and renovation projects. These expenses include an increase in expense related to repairs and maintenance and technology.

Compensation and employee benefits increased by \$14.2 million, or 8.3 percent, primarily due to an increase in pension expense tied to the increase in net pension liability.

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 2022-23 and 2021-22 fiscal years:

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

	2022-23	2021-22
State Noncapital Appropriations	\$ 130,007	\$ 123,815
Federal and State Student Financial Aid	36,279	44,047
Noncapital Grants, Contracts, and Gifts	56,009	64,586
Investment Income	1,086	416
Other Nonoperating Revenues	175	1,151
Unrealized Gain (Loss) on Investments	1,203	(2,381)
Loss on Disposal of Capital Assets	(5,712)	-
Interest on Capital Asset-Related Debt	(346)	(393)
Other Nonoperating Expenses	(194)	(12,184)
Net Nonoperating Revenues	\$ 218,507	\$ 219,057

Net nonoperating revenues decreased by \$0.6 million, or 0.3 percent, as compared to the 2021-22 fiscal year primarily due to the following factors:

- Federal and State student financial aid revenues decreased by \$7.8 million primarily due to the decrease in Federal funding from the Higher Education Emergency Relief Fund (HEERF) student aid awards.
- Noncapital grants, contracts, and gifts revenues decreased by \$8.6 million primarily due to the decrease in Federal funding from HEERF institutional awards.
- Other nonoperating expenses decreased by \$12 million primarily due to the reduction in Federal funding from HEERF.

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 2022-23 and 2021-22 fiscal years:

	2022-23	2021-22
State Capital Appropriations	\$ 56,520	\$ 1,840
Capital Grants, Contracts, Donations, and Fees	6,975	4,393
Total	\$ 63,495	\$ 6,233

State capital appropriations increased by \$54.7 million, primarily due to State appropriations for deferred maintenance funding.

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 2022-23 and 2021-22 fiscal years:

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

	2022-23	2021-22
Cash Provided (Used) by:		
Operating Activities	\$(168,661)	\$(208,558)
Noncapital Financing Activities	223,406	241,516
Capital and Related Financing Activities	(50,236)	(16,789)
Investing Activities	1,087	(4,651)
Net Increase in Cash and Cash Equivalents	5,596	11,518
Cash and Cash Equivalents, Beginning of Year	47,925	36,407
Cash and Cash Equivalents, End of Year	\$ 53,521	\$ 47,925

Major sources of funds came from State noncapital appropriations (\$130 million), net student tuition and fees (\$44.1 million), grants and contracts (\$77 million), sales and services of auxiliary enterprises (\$44.5 million), Federal and State student financial aid (\$36.3 million), and noncapital grants, contracts, and gifts (\$56 million). Major uses of funds were for payments to employees totaling \$189.5 million; payments to suppliers for goods and services totaling \$121.7 million; payments to students for scholarships and fellowships totaling \$35.3 million; and purchase or construction of capital assets totaling \$60.2 million.

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

Capital Assets

At June 30, 2023, the University had \$1 billion in capital assets, less accumulated depreciation of \$373.7 million, for net capital assets of \$666.1 million. Depreciation charges for the current fiscal year totaled \$23.9 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	<u>2023</u>	<u>2022</u>
Land	\$ 25,369	\$ 25,369
Works of Art and Historical Treasures	1,155	1,043
Construction in Progress	22,103	49,082
Buildings	517,826	458,487
Infrastructure and Other Improvements	70,857	70,739
Furniture and Equipment	24,498	22,738
Library Resources	3,640	5,270
Lease Assets	582	-
Computer Software	36	70
Capital Assets, Net	<u>\$666,066</u>	<u>\$632,798</u>

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2023, were incurred on the following projects: Stadium Renovation, Maintenance and Renovation projects, and Student Housing. The University's construction commitments at June 30, 2023, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 52,856
Completed to Date	<u>22,103</u>
Balance Committed	<u>\$ 30,753</u>

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

Debt Administration

As of June 30, 2023, the University had \$14 million in outstanding long-term debt, representing a decrease of \$0.9 million, or 6 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	<u>2023</u>	<u>2022</u>
Leases Payable	\$ 599	\$ -
Other Noncurrent Liabilities	13,407	14,901
Total	<u>\$ 14,006</u>	<u>\$ 14,901</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 (FAMU) *Strategic Plan 2022-2027: Boldly Striking* addresses key economic factors that will affect FAMU’s future. Strategic Priority 4: Long-Term Fiscal Health and Sustainability is predicated upon a strategic budgeting process, attracting additional streams of revenue, expanding Federal and State advocacy and enhancing sponsored research.

As a public institution, the condition of the State of Florida’s economy is the primary factor impacting the University’s future. In July 2023, the Florida Economic Estimating Conference adopted a new forecast for the State’s economy. The Economic Estimating Conference anticipates that the State’s economy expanded at a healthy 3 percent in the 2022-23 fiscal year but will drop to a more characteristic 2.5 percent for the 2023-24 fiscal year as economic imbalances continue to weigh on the economy. Thereafter, it will grow 1.7 percent in the 2024-25 fiscal year to 2.4 percent in the 2026-27 fiscal year.

FAMU’s budget relies heavily on State appropriations. Changes in State funding levels, budget allocations, and Government policies can significantly impact the University’s financial stability. We expect enrollment, tuition, and fee structures will remain stable for the 2023-24 fiscal year as they have for the prior period. With limited economic growth we expect State appropriations to remain stable and only realize modest increases for the 2023-24 fiscal year.

FAMU has adopted a forward-thinking strategic plan tied to aggressive goals which has increased the demand for resources. The University submitted a commensurate Legislative Budget Request that is anticipated to yield an increase in State appropriations to enhance student success initiatives and support academic programs.

The University has several innovative initiatives to increase both endowment and contract and grants funding while implementing measures to control costs, improve efficiency and effectiveness, and direct limited funds to strategic priorities through our strategic budgeting processes. Collectively, these measures are expected to effectively align resources with FAMU’s strategic priorities and goals – moving FAMU forward as the nation’s top public HBCU; one of the nation’s top 100 public universities; pursuing Carnegie R1 classification; and enhancing the lives of our students and their families for generations to come with strong performance in the Social Mobility Index.

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, Vice President for Financial Services, 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, 2023

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 46,960,602	\$ 22,949,027
Investments	63,147,464	2,394,284
Accounts Receivable, Net	17,898,385	2,301,438
Loans and Notes Receivable, Net	99,909	-
Due from State	57,056,547	-
Inventories	1,437,855	-
Other Current Assets	1,716	464,789
Total Current Assets	<u>186,602,478</u>	<u>28,109,538</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,560,062	-
Restricted Investments	-	155,978,826
Loans and Notes Receivable, Net	403,185	-
Depreciable Capital Assets, Net	617,551,282	123,650
Nondepreciable Capital Assets	48,514,381	27,000
Other Noncurrent Assets	-	2,371,142
Total Noncurrent Assets	<u>673,028,910</u>	<u>158,500,618</u>
Total Assets	<u>859,631,388</u>	<u>186,610,156</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	13,907,943	-
Pensions	30,211,244	-
Total Deferred Outflows of Resources	<u>44,119,187</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	28,658,676	897,429
Construction Contracts Payable	3,486,615	-
Salary and Wages Payable	1,692,769	171,231
Deposits Payable	4,716,189	-
Unearned Revenue	15,211,258	-
Other Current Liabilities	-	1,147,346
Long-Term Liabilities - Current Portion:		
Leases Payable	324,649	-
Compensated Absences Payable	1,502,563	-
Other Postemployment Benefits Payable	1,135,730	-
Other Noncurrent Liabilities	1,509,630	-
Total Current Liabilities	<u>58,238,079</u>	<u>2,216,006</u>

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Leases Payable	274,832	-
Compensated Absences Payable	22,396,825	-
Other Postemployment Benefits Payable	44,065,370	-
Net Pension Liability	95,158,922	-
Other Noncurrent Liabilities	11,897,588	239,655
Total Noncurrent Liabilities	<u>173,793,537</u>	<u>239,655</u>
Total Liabilities	<u>232,031,616</u>	<u>2,455,661</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	33,052,725	-
Pensions	6,028,066	-
Total Deferred Inflows of Resources	<u>39,080,791</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	648,572,339	150,650
Restricted for Nonexpendable:		
Endowment	-	102,303,096
Restricted for Expendable:		
Loans	1,383,396	-
Capital Projects	3,486,615	-
Other	-	77,558,946
Unrestricted	(20,804,182)	4,141,803
TOTAL NET POSITION	<u>\$ 632,638,168</u>	<u>\$ 184,154,495</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, 2023

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$37,537,512	\$ 43,775,104	\$ -
Federal Grants and Contracts	55,706,845	-
State and Local Grants and Contracts	18,905,135	-
Nongovernmental Grants and Contracts	358,111	-
Sales and Services of Auxiliary Enterprises	44,502,496	-
Other Operating Revenues	10,222,485	32,822,480
Total Operating Revenues	173,470,176	32,822,480
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	186,156,673	2,845,460
Services and Supplies	116,026,042	12,873,478
Utilities and Communications	13,616,954	71,367
Scholarships, Fellowships, and Waivers	35,306,225	4,633,560
Depreciation	23,897,570	136,021
Total Operating Expenses	375,003,464	20,559,886
Operating Income (Loss)	(201,533,288)	12,262,594
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	130,006,631	-
Federal and State Student Financial Aid	36,279,255	-
Noncapital Grants, Contracts, and Gifts	56,008,677	-
Investment Income	1,086,324	-
Other Nonoperating Revenues	174,962	4,097,609
Unrealized Gain on Investments	1,203,178	-
Loss on Disposal of Capital Assets	(5,711,696)	-
Interest on Capital Asset-Related Debt	(346,167)	-
Other Nonoperating Expenses	(193,970)	(702,997)
Net Nonoperating Revenues	218,507,194	3,394,612
Income Before Other Revenues	16,973,906	15,657,206
State Capital Appropriations	56,520,105	-
Additions to Permanent Endowments	-	27,518
Capital Grants, Contracts, Donations, and Fees	6,974,794	-
Increase in Net Position	80,468,805	15,684,724
Net Position, Beginning of Year	552,169,363	168,443,089
Adjustment to Beginning Net Position	-	26,682
Net Position, Beginning of Year, as Restated	552,169,363	168,469,771
Net Position, End of Year	\$ 632,638,168	\$ 184,154,495

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, 2023

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 44,065,862
Grants and Contracts	77,023,646
Sales and Services of Auxiliary Enterprises	44,500,781
Other Operating Receipts	12,304,693
Payments to Employees	(189,478,723)
Payments to Suppliers for Goods and Services	(121,697,090)
Payments to Students for Scholarships and Fellowships	(35,306,225)
Loans Issued to Students	(74,095)
Net Cash Used by Operating Activities	(168,661,151)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	130,006,631
Federal and State Student Financial Aid	36,279,255
Noncapital Grants, Contracts, and Gifts	56,008,677
Federal Direct Loan Program Receipts	60,122,580
Federal Direct Loan Program Disbursements	(60,122,580)
Other Nonoperating Receipts	1,111,656
Net Cash Provided by Noncapital Financing Activities	223,406,219
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,027,680
Capital Grants, Contracts, Donations and Fees	6,974,794
Purchase or Construction of Capital Assets	(60,157,495)
Principal Paid on Capital Debt and Leases	(1,734,960)
Interest Paid on Capital Debt and Leases	(346,167)
Net Cash Used by Capital and Related Financing Activities	(50,236,148)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,086,324
Net Cash Provided by Investing Activities	1,086,324
Net Increase in Cash and Cash Equivalents	5,595,244
Cash and Cash Equivalents, Beginning of Year	47,925,420
Cash and Cash Equivalents, End of Year	\$ 53,520,664

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (201,533,288)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	23,897,570
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	2,344,314
Loans and Notes Receivable, Net	(74,095)
Inventories	(57,762)
Other Assets	(1,716)
Accounts Payable	12,351,717
Salaries and Wages Payable	(251,151)
Deposits Payable	(4,348,049)
Compensated Absences Payable	1,708,697
Unearned Revenue	2,082,208
Other Postemployment Benefits Payable	(10,335,967)
Net Pension Liability	54,206,570
Deferred Outflows of Resources Related to Other Postemployment Benefits	(3,985,953)
Deferred Inflows of Resources Related to Other Postemployment Benefits	9,383,386
Deferred Outflows of Resources Related to Pensions	(4,186,799)
Deferred Inflows of Resources Related to Pensions	(49,860,833)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (168,661,151)</u></u>

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

Unrealized gains 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.	\$ 1,203,178
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.	\$ (5,711,696)

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 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 Booster Club, by contacting the Athletic Director. Audited financial statements can be obtained from the Vice President for Financial Services, 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 entity wide 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 follow 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, noncapital grants, contracts, and gifts, 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 the Federal Deposit Insurance Corporation, 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, lease assets, and computer software. 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
- Lease Assets – 1 to 15 years

- Computer Software – 3 to 7 years

Noncurrent Liabilities. Noncurrent liabilities include 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. 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	\$ (82,462,189)
Auxiliary Funds	61,658,007
Total	<u><u>\$ (20,804,182)</u></u>

3. 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, 2023, 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	\$ 63,147,464	\$ -	\$ -	\$ 63,147,464
Total investments measured at fair value	\$ 63,147,464			

External Investment Pools.

The University reported investments at fair value totaling \$63,147,464 at June 30, 2023, 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 3.02 years, and fair value factor of 0.9667 at June 30, 2023. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participant’s total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State’s Annual Comprehensive Financial Report.

Component Units’ Investments.

Investments held by the University’s component units, Florida Agricultural and Mechanical University Foundation, Inc., Florida Agricultural and Mechanical University National Alumni Association, Inc., and FAMU Rattler Boosters, Inc. at June 30, 2023, 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	\$ 11,140,888	\$ 8,017,580	\$ 3,123,308	\$ -
Corporate Bonds	807,408	807,408	-	-
Common Stocks	70,874,999	68,392,337	2,482,662	-
Commingled Funds	11,859,658	3,599,622	8,260,036	-
Hedge Funds	10,851,817	-	10,851,817	-
Real Estate Property	1,477,648	-	1,477,648	-
Money Market Funds	6,194,512	6,194,512	-	-
Total investments by fair value level	\$ 113,206,930	\$ 87,011,459	\$ 26,195,471	\$ -
Investments measured at the net asset value (NAV)				
Commingled Funds and Limited Partnerships	43,507,817			
Real Estate Funds	1,658,363			
Total investments measured at NAV	45,166,180			
Total investments measured at fair value	<u>\$ 158,373,110</u>			

4. 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, 2023, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 13,827,698
Contracts and Grants	9,996,601
Interest Receivable	645,554
Total Accounts Receivable	24,469,853
Allowance for Doubtful Accounts	(6,571,468)
Total Accounts Receivable, Net	<u>\$ 17,898,385</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 \$6,571,468 and \$416,373, respectively, at June 30, 2023.

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

5. Due From State

The amount due from State consists of \$57,056,547 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and other allocations due from the State to the University for construction of University facilities.

6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 25,369,275	\$ -	\$ -	\$ 25,369,275
Works of Art and Historical Treasures	1,042,634	-	-	1,042,634
Construction in Progress	49,081,562	28,652,667	55,631,757	22,102,472
Total Nondepreciable Capital Assets	\$ 75,493,471	\$ 28,652,667	\$ 55,631,757	\$ 48,514,381
Depreciable Capital Assets:				
Buildings	\$ 667,703,001	\$ 78,651,779	\$ 15,803,627	730,551,153
Infrastructure and Other Improvements	106,791,849	3,047,057	-	109,838,906
Furniture and Equipment	78,608,263	6,936,206	979,379	84,565,090
Library Resources	64,861,076	271,269	-	65,132,345
Lease Assets	-	837,103	-	837,103
Works of Art and Historical Treasures	42,450	112,207	-	154,657
Computer Software	171,484	-	7,500	163,984
Total Depreciable Capital Assets	918,178,123	89,855,621	16,790,506	991,243,238
Less, Accumulated Depreciation:				
Buildings	209,215,589	13,652,406	10,142,953	212,725,042
Infrastructure and Other Improvements	36,052,467	2,929,714	-	38,982,181
Furniture and Equipment	55,870,304	5,124,865	928,357	60,066,812
Library Resources	59,590,666	1,901,090	-	61,491,756
Lease Assets	-	255,198	-	255,198
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software	101,720	34,297	7,500	128,517
Total Accumulated Depreciation	360,873,196	23,897,570	11,078,810	373,691,956
Total Depreciable Capital Assets, Net	\$ 557,304,927	\$ 65,958,051	\$ 5,711,696	\$ 617,551,282

7. Unearned Revenue

Unearned revenue at June 30, 2023, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2023, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 13,706,166
Student Tuition and Fees	1,505,092
Total Unearned Revenue	\$ 15,211,258

8. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2023, include 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, 2023, 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>
Leases Payable	\$ -	\$ 837,103	\$ 237,622	\$ 599,481	\$ 324,649
Compensated Absences Payable	22,190,691	4,184,490	2,475,793	23,899,388	1,502,563
Other Postemployment Benefits Payable	55,537,067	32,619,328	42,955,295	45,201,100	1,135,730
Net Pension Liability	40,952,352	87,093,943	32,887,373	95,158,922	-
Other Noncurrent Liabilities	14,900,879	3,677	1,497,338	13,407,218	1,509,630
Total Long-Term Liabilities	\$ 133,580,989	\$ 124,738,541	\$ 80,053,421	\$ 178,266,109	\$ 4,472,572

Leases Payable. The University has entered into various long-term noncancellable lease agreements as lessee for use of space for a period 3 years. The University uses the interest rate implicit in the leases or an incremental borrowing rate, if the interest rate is not readily determinable, to discount the lease payments. The lease agreements qualify as other than short-term leases under GASB Statement No. 87, *Leases*, and therefore, have been recorded at the present value of the lease payments as of the date of their inception. Principal and interest payments due for leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 334,146	\$ 324,649	\$ 9,497
2025	207,184	203,820	3,364
2026	71,447	71,012	435
Total Minimum Lease Payments	\$ 612,777	\$ 599,481	\$ 13,296

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, 2023, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$23,899,388. The current portion of the compensated absences liability, \$1,502,563, 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 \$45,201,100 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.58 percent, which was an increase of 0.05 from its proportionate share reported as of June 30, 2021.

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	4.09 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	10.31 percent for 2023, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Health Maintenance Organization Plan	7.53 percent for the 2023, decreasing to an ultimate rate for 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 and Poor's (S&P) Municipal Bond 20 Year High Grade Index Rate.

Mortality rates were based on the PUB-2010 mortality tables with fully generational mortality improvements using Scale MP-2018.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2019, through June 30, 2020, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2022, valuation were based on a review of recent plan experience done concurrently with the July 1, 2022, valuation.

The following changes have been made since the prior valuation:

- The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P's Municipal Bond Index Rate as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.
- The census data reflects changes in status for the 24-month period since July 1, 2020.
- The medical trend assumption is updated each year based on the Getzen Model. Medical trend rates used are consistent with the August 2022 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 small increase in the liability, due primarily to higher trend rates in the first several years.
- The assumed claims and premiums reflect the actual claims information that were provided as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in lower claims costs compared to expected, as well as lower premium rates than expected. The net result was a slight increase in liabilities due to claims and premiums as of June 30, 2022.

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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

	<u>1% Decrease (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
University's proportionate share of the total OPEB liability	\$52,689,274	\$45,201,100	\$39,182,767

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	\$38,315,349	\$45,201,100	\$54,016,233

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

For the fiscal year ended June 30, 2023, the University recognized OPEB expense of \$15,701. At June 30, 2023, 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	\$ -	\$ 4,724,233
Change of assumptions or other inputs	4,981,664	28,288,289
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	7,771,129	40,203
Transactions subsequent to the measurement date	1,155,150	-
Total	<u>\$ 13,907,943</u>	<u>\$ 33,052,725</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,155,150 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the fiscal year ending June 30, 2024. 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>
2024	\$ (4,355,706)
2025	(4,355,706)
2026	(3,156,621)
2027	(2,988,732)
2028	(1,859,884)
Thereafter	(3,583,283)
Total	<u><u>\$(20,299,932)</u></u>

Other Noncurrent Liabilities. In the 2011-12 fiscal year, the University entered into a finance purchase 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 financed purchase agreement totaling \$9,421,538 to finance an energy performance saving contract. The stated interest rate is 2.1 percent. Future minimum payments under the financed purchase agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 1,804,954
2025	1,730,643
2026	1,745,650
2027	1,760,963
2028	1,776,589
2029-2033	4,234,989
2034-2036	1,959,808
Total Minimum Payments	15,013,596
Less, Amount Representing Interest	<u>1,610,055</u>
Present Value of Minimum Payments	<u><u>\$ 13,403,541</u></u>

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, 2023, the University's proportionate share of the net pension liabilities totaled \$95,158,922. Note 9. includes a complete discussion of defined benefit pension plans.

9. 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 \$10,582,100 for the fiscal year ended June 30, 2023.

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* – 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 2022-23 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91
FRS, Senior Management Service	3.00	31.57
FRS, Special Risk	3.00	27.83
Teachers' Retirement System, Plan E	6.25	13.56
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.60
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 \$9,069,401 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of \$73,198,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.196728151 percent, which was a decrease of 0.001034761 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of \$9,704,085. 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	\$ 3,476,515	\$ -
Change of assumptions	9,014,724	-
Net difference between projected and actual earnings on FRS Plan investments	4,833,299	-
Changes in proportion and differences between University contributions and proportionate share of contributions	408,757	1,653,641
University FRS contributions subsequent to the measurement date	9,069,401	-
Total	\$ 26,802,696	\$ 1,653,641

The deferred outflows of resources totaling \$9,069,401, 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, 2024. 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>
2024	\$ 3,689,428
2025	1,120,490
2026	(1,698,926)
2027	12,336,188
2028	632,474
Total	\$ 16,079,654

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	6.70 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, 2022, 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%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.3%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 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 2022 valuation was updated from 6.80 percent to 6.70 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 6.70 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 (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
University's proportionate share of the net pension liability	\$126,592,087	\$73,198,682	\$28,555,442

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, and may be amended by the Florida Legislature at any time. 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, 2023, 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, 2023, 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 \$1,351,855 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of \$21,960,240 for

its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.207336439 percent, which was a decrease of 0.004718346 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of \$878,015. 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>
Change of assumptions	\$ 1,258,775	\$ 3,397,235
Net difference between projected and actual earnings on HIS Plan investments	31,794	-
Differences between expected and actual experience	666,545	96,627
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	99,579	880,563
University HIS contributions subsequent to the measurement date	1,351,855	-
Total	<u>\$ 3,408,548</u>	<u>\$ 4,374,425</u>

The deferred outflows of resources totaling \$1,351,855, 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, 2024. 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>
2024	\$ (633,629)
2025	(410,094)
2026	(212,537)
2027	(269,956)
2028	(545,464)
Thereafter	(246,052)
Total	<u>\$ (2,317,732)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	3.54 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.54 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 2022 valuation was updated from 2.16 percent to 3.54 percent.

Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 3.54 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
University’s proportionate share of the net pension liability	\$25,124,318	\$21,960,240	\$19,342,239

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.

10. 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 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Senior Management Service	10.67
FRS, Special Risk Regular	17.00

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, 2023, 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 \$2,353,163 for the fiscal year ended June 30, 2023.

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, 4.23 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.38 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 \$4,307,829, and employee contributions totaled \$2,434,408 for the 2022-23 fiscal year.

11. Construction Commitments

The University’s construction commitments at June 30, 2023, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Stadium Renovation	\$ 9,005,851	\$ 6,827,886	\$ 2,177,965
Maintenance and Renovation Projects	26,739,734	10,450,946	16,288,788
Student Housing	14,462,429	2,405,462	12,056,967
Subtotal	50,208,014	19,684,294	30,523,720
Other Projects (1)	2,647,821	2,418,178	229,643
Total	\$ 52,855,835	\$ 22,102,472	\$ 30,753,363

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2023.

12. 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 2022-23 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 \$56.3 million for named windstorm and flood through February 14, 2023, and decreased to \$40.2 million for flood and \$38.6 million for named windstorm starting February 15, 2023. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$168.7 million through February 14, 2023, and increased to \$184.8 million starting February 15, 2023; 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.

13. 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.

14. 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	\$ 104,045,680
Research	32,725,957
Public Services	339,775
Academic Support	63,141,725
Student Services	5,114,842
Institutional Support	35,193,997
Operation and Maintenance of Plant	26,424,242
Scholarships, Fellowships, and Waivers	35,306,225
Depreciation	23,897,570
Auxiliary Enterprises	48,813,451
Total Operating Expenses	<u><u>\$ 375,003,464</u></u>

15. 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

	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	FAMU Rattler Boosters, Inc.	
Assets:				
Current Assets	\$ 27,162,600	\$ 812,580	\$ 134,358	\$ 28,109,538
Capital Assets, Net	150,650	-	-	150,650
Other Noncurrent Assets	155,329,324	2,855,413	165,231	158,349,968
Total Assets	182,642,574	3,667,993	299,589	186,610,156
Liabilities:				
Current Liabilities	1,552,811	663,195	-	2,216,006
Noncurrent Liabilities	239,655	-	-	239,655
Total Liabilities	1,792,466	663,195	-	2,455,661
Net Position:				
Net Investment in Capital Assets	150,650	-	-	150,650
Restricted Nonexpendable	99,594,257	2,553,983	154,856	102,303,096
Restricted Expendable	77,221,084	337,862	-	77,558,946
Unrestricted	3,884,117	112,953	144,733	4,141,803
Total Net Position	\$ 180,850,108	\$ 3,004,798	\$ 299,589	\$ 184,154,495

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	\$ 32,133,460	\$ 605,148	\$ 83,872	\$ 32,822,480
Operating Expenses	(20,043,930)	(466,762)	(49,194)	(20,559,886)
Operating Income	12,089,530	138,386	34,678	12,262,594
Nonoperating Revenues (Expenses)	3,632,806	(208,981)	(29,213)	3,394,612
Other Revenues	-	-	27,518	27,518
Increase (Decrease) in Net Position	15,722,336	(70,595)	32,983	15,684,724
Net Position, Beginning of Year	165,101,090	3,075,393	266,606	168,443,089
Adjustment to Beginning Net Position	26,682	-	-	26,682
Net Position, Beginning of Year, as Restated	165,127,772	3,075,393	266,606	168,469,771
Net Position, End of Year	\$ 180,850,108	\$ 3,004,798	\$ 299,589	\$ 184,154,495

16. 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, 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. As of June 30, 2023, the University received distributions of \$699,558 and retained ticket sales of \$488,595 for a total distribution of \$1,188,153 from the proceeds of the Florida Classic football game held on November 19, 2022.

17. Subsequent Events

On February 2, 2024, the University issued HBCU Loan Series A 2024, a 30-year bond, for \$97,500,000, for the construction of Phase II Student Housing – 700 Bed Facility, Towers Living Learning Center.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	0.58%	0.53%	0.52%	0.55%	0.55%	0.55%
University's proportionate share of the total other postemployment benefits liability	\$ 45,201,100	\$ 55,537,067	\$ 53,671,919	\$ 69,531,200	\$ 58,034,000	\$ 59,972,000
University's covered-employee payroll	\$ 116,897,762	\$ 116,897,762	\$ 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	38.67%	47.51%	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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
University's proportion of the FRS net pension liability	0.196728151%	0.197762912%	0.195748232%	0.202314209%
University's proportionate share of the FRS net pension liability	\$ 73,198,682	\$ 14,940,643	\$ 84,842,072	\$ 69,674,197
University's covered payroll (2)	\$ 116,897,762	\$ 116,548,787	\$ 116,309,686	\$ 114,039,416
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	62.62%	12.82%	72.94%	61.10%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

(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>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required FRS contribution	\$ 9,069,401	\$ 8,394,748	\$ 7,533,912	\$ 6,503,846
FRS contributions in relation to the contractually required contribution	<u>(9,069,401)</u>	<u>(8,394,748)</u>	<u>(7,533,912)</u>	<u>(6,503,846)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 123,150,313	\$ 116,897,762	\$ 116,548,787	\$ 116,309,686
FRS contributions as a percentage of covered payroll	7.36%	7.18%	6.46%	5.59%

(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>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.209281509%	0.210759036%	0.212314988%	0.218226097%	0.219223139%	0.192935113%
\$ 63,036,676	\$ 62,341,109	\$ 53,609,701	\$ 28,186,827	\$ 13,375,835	\$ 33,212,720
\$ 113,789,082	\$ 112,860,919	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813	\$ 103,898,906
55.40%	55.24%	48.18%	25.77%	12.61%	31.97%
84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 6,273,200	\$ 5,964,355	\$ 5,486,577	\$ 5,177,640	\$ 5,320,538	\$ 4,801,917
<u>(6,273,200)</u>	<u>(5,964,355)</u>	<u>(5,486,577)</u>	<u>(5,177,640)</u>	<u>(5,320,538)</u>	<u>(4,801,917)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 114,039,416	\$ 113,789,082	\$ 112,860,919	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813
5.50%	5.24%	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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
University's proportion of the HIS net pension liability	0.207336439%	0.212054785%	0.212038898%	0.210486624%
University's proportionate share of the HIS net pension liability	\$ 21,960,240	\$ 26,011,709	\$ 25,889,605	\$ 23,551,348
University's covered payroll (2)	\$ 72,414,177	\$ 72,352,927	\$ 70,655,308	\$ 68,850,145
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.33%	35.95%	36.64%	34.21%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

(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>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required HIS contribution	\$ 1,351,855	\$ 1,254,560	\$ 1,246,460	\$ 1,221,881
HIS contributions in relation to the contractually required HIS contribution	<u>(1,351,855)</u>	<u>(1,254,560)</u>	<u>(1,246,460)</u>	<u>(1,221,881)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 77,224,625	\$ 72,414,177	\$ 72,352,927	\$ 70,655,308
HIS contributions as a percentage of covered payroll	1.75%	1.73%	1.72%	1.73%

(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>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.213410955%	0.220156699%	0.225242384%	0.224601105%	0.224264902%	0.220974771%
\$ 22,587,656	\$ 23,540,170	\$ 26,251,067	\$ 22,905,780	\$ 20,969,316	\$ 19,238,759
\$ 68,588,401	\$ 68,546,066	\$ 69,785,144	\$ 66,541,722	\$ 65,648,265	\$ 62,952,635
32.93%	34.34%	37.62%	34.42%	31.94%	30.56%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,168,812	\$ 1,157,333	\$ 1,165,133	\$ 1,154,511	\$ 858,565	\$ 768,256
<u>(1,168,812)</u>	<u>(1,157,333)</u>	<u>(1,165,133)</u>	<u>(1,154,511)</u>	<u>(858,565)</u>	<u>(768,256)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 68,850,145	\$ 68,588,401	\$ 68,546,066	\$ 69,785,444	\$ 66,541,722	\$ 65,648,265
1.70%	1.69%	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.

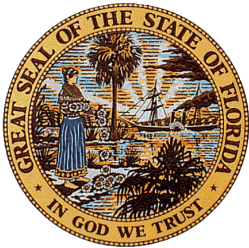
Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Index Rate as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.

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

Changes of Assumptions. In 2022, the long-term expected rate of return decreased from 6.80 percent to 6.70 percent.

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

Changes of Assumptions. In 2022, the municipal rate used to determine total pension liability increased from 2.16 percent to 3.54 percent. In addition, the demographic assumptions for the Special Risk Class were updated to reflect plan changes and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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 (*Government Auditing Standards*), 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, 2023, 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, 2024, 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.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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, 2024