

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-136
March 2017

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. Elmira Mangum 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 from 6-10-16, Vice Chair to 6-9-16	David Lawrence, Jr. from 2-3-16 Major General Gary T. McCoy, (Ret.) from 12-18-15
Kimberly Moore, Vice Chair from 6-10-16	Dr. Spurgeon W. McWilliams to 10-28-15 ^f
Rufus N. Montgomery, Jr. to 12-3-15, ^a Chair to 11-19-15	Harold Mills from 5-12-16
Cleve Warren, Chair 11-20-15 to 5-11-16 ^b	Belvin Perry, Jr. from 3-24-16
Torey L. Alston to 12-17-15	Craig Reed from 1-21-16
Lucas D. Boyce to 9-25-15 ^c	Belinda Reed Shannon to 3-23-16
Matthew M. Carter II from 12-18-15	Jaylen Smith ^e from 5-1-16
Thomas W. Dortch, Jr. from 1-21-16	Nicole Washington from 9-3-15 ^g
Dr. Bettye A. Grable ^d	Karl E. White to 1-6-16 ^h
Tonnette S. Graham ^e to 4-30-16	Robert L. Woody

^a Trustee resigned on 12-3-15, and position remained vacant through 2-2-16.

^b Chair position vacant through 6-9-16.

^c Trustee resigned on 9-25-15, and position remained vacant through 12-17-15.

^d Faculty Senate Chair.

^e Student Body President.

^f Trustee resigned on 10-28-15, and position remained vacant through 1-20-16.

^g Position remained vacant from 7-1-15, through 9-2-15.

^h Trustee service ended 1-6-16, and position remained vacant through 1-20-16.

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 Shirley Dong, CPA, and the supervisor was Karen L. Revell, CPA.

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

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FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	20
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	49
Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	49
Schedule of University Contributions – Florida Retirement System Pension Plan.....	49
Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	50
Schedule of University Contributions – Health Insurance Subsidy Pension Plan	50
Notes to Required Supplementary Information.....	50
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 <i>GOVERNMENT AUDITING STANDARDS</i>	51
Internal Control Over Financial Reporting	51
Compliance and Other Matters	52
Purpose of this Report	52

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2016. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

The results of our operational audit of the University will be presented in a separate report.

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 Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2017, 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 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 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
February 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

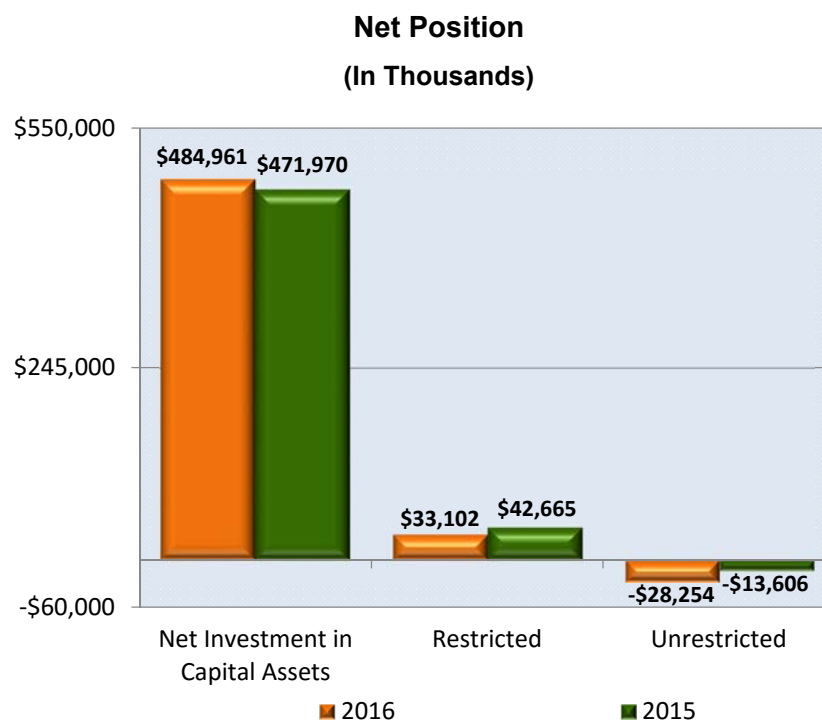
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2016, and June 30, 2015.

FINANCIAL HIGHLIGHTS

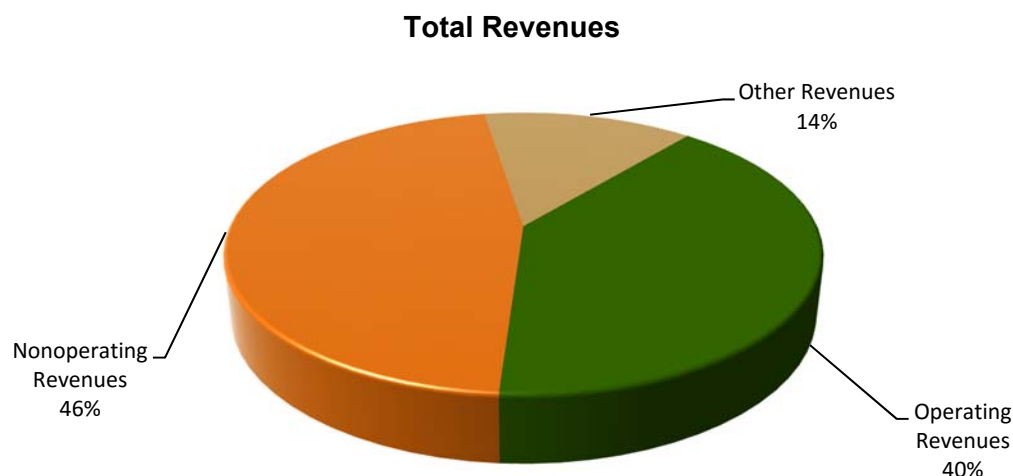
The University's assets totaled \$674.7 million at June 30, 2016. This balance reflects a \$19.5 million, or 2.8 percent, decrease as compared to June 30, 2015, resulting from a decrease in current assets of \$31.3 million, partially offset by increases in net capital assets of \$8.4 million and other non-current assets of \$3.4 million. Deferred outflows of resources totaled \$16.4 million at June 30, 2016, while deferred inflows of resources totaled \$7.5 million. Liabilities increased by \$10.3 million, or 5.6 percent, totaling \$193.8 million at June 30, 2016.

The University's operating revenues totaled \$115.7 million for the 2015-16 fiscal year, representing an overall decrease of 9 percent as compared to the 2014-15 fiscal year due primarily to decreases in sales and services of auxiliary enterprises of \$6.3 million, grants and contracts of \$2.5 million, and net tuition and fees of \$1.4 million. Operating expenses also decreased to \$273.3 million for the 2015-16 fiscal year, representing a decrease of \$12.3 million, or 4.3 percent, as compared to the 2014-15 fiscal year.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2015-16 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes 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); Florida Agricultural and Mechanical University National Alumni Association, Inc. (Alumni Association); and Rattler Boosters, Inc. (Boosters). Based upon 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.

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)

	2016	2015
Assets		
Current Assets	\$ 100,105	\$ 131,378
Capital Assets, Net	560,641	552,265
Other Noncurrent Assets	13,931	10,532
Total Assets	674,677	694,175
Deferred Outflows of Resources	16,425	13,428
Liabilities		
Current Liabilities	30,424	34,533
Noncurrent Liabilities	163,339	148,900
Total Liabilities	193,763	183,433
Deferred Inflows of Resources	7,530	23,141
Net Position		
Net Investment in Capital Assets	484,961	471,970
Restricted	33,102	42,665
Unrestricted	(28,254)	(13,606)
Total Net Position	\$ 489,809	\$ 501,029

Total assets decreased by \$19.5 million, total liabilities increased by \$10.3 million, and total net position decreased by \$11.2 million. The decrease in current assets of \$31.3 million is primarily due to a decrease in the amount due from the State of Florida for authorized construction projects, a decrease in cash, and a decrease in investments. The increase in net capital assets is due primarily to the acquisition of land located in Brooksville, Florida donated to the University by the United States Department of Agriculture,

the completion of the Pharmacy Building Phase II project, offset by the transfer of capital assets of the FAMU/FSU College of Engineering to Florida State University (FSU). Likewise, other noncurrent assets increased primarily due to increases in restricted cash and cash equivalents and investments. Deferred outflows of resources of \$16.4 million primarily consist of deferred amounts related to pensions. The increase in total liabilities is due to an increase in noncurrent liabilities of \$14.4 million, offset by a decrease in current liabilities of \$4.1 million. The increase in noncurrent liabilities is due primarily to an increase in net pension liability. The decrease in current liabilities is due primarily to a decrease in unearned revenues related to capital appropriations, offset by an increase in construction contracts payable. Deferred inflows of resources of \$7.5 million consist of the deferred amounts related to pensions.

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 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	2015-16	2014-15
Operating Revenues	\$ 115,727	\$ 127,105
Less, Operating Expenses	273,284	285,584
Operating Loss	(157,557)	(158,479)
Net Nonoperating Revenues	106,812	144,802
Loss Before Other Revenues	(50,745)	(13,677)
Other Revenues	39,525	17,393
Net Increase (Decrease) In Net Position	(11,220)	3,716
Net Position, Beginning of Year	501,029	544,194
Adjustment to Beginning Net Position (1)	-	(46,881)
Net Position, Beginning of Year, as Restated	501,029	497,313
Net Position, End of Year	<u>\$ 489,809</u>	<u>\$ 501,029</u>

Note: (1) The University's beginning net position for the 2014-15 fiscal year was decreased in conjunction with the implementation of GASB Statement No. 68.

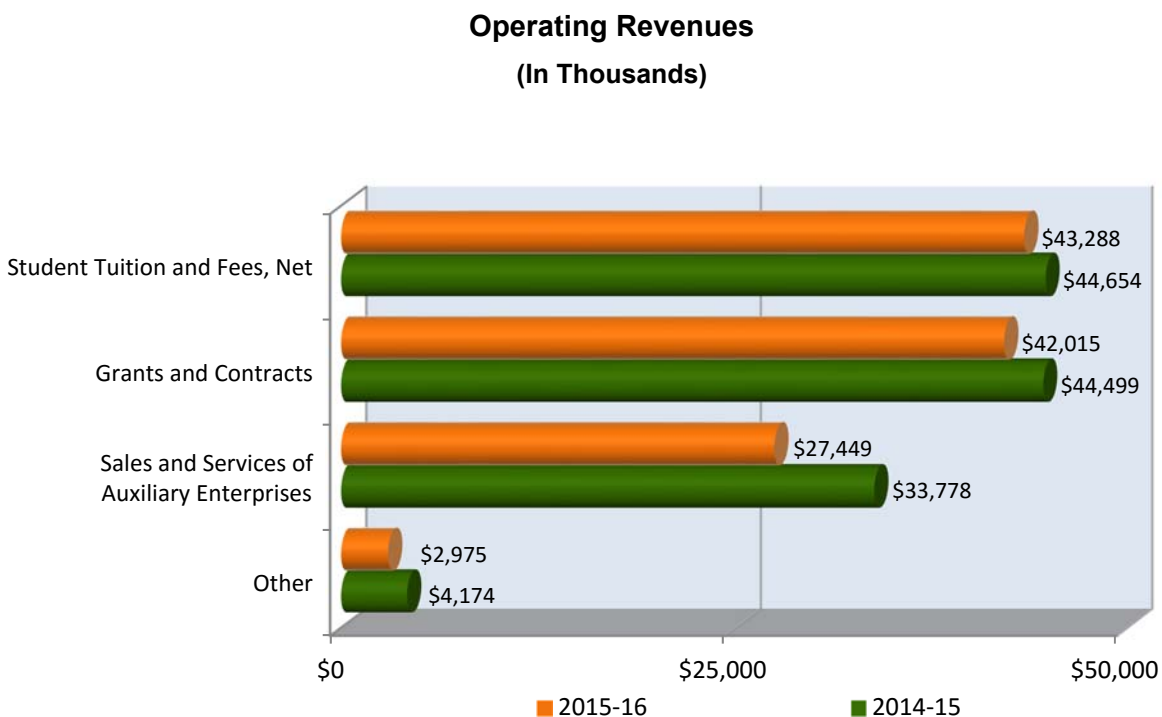
Operating Revenues

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 2015-16 and 2014-15 fiscal years:

Operating Revenues For the Fiscal Years		
(In Thousands)		
	2015-16	2014-15
Student Tuition and Fees, Net	\$ 43,288	\$ 44,654
Grants and Contracts	42,015	44,499
Sales and Services of Auxiliary Enterprises	27,449	33,778
Other	2,975	4,174
Total Operating Revenues	\$ 115,727	\$ 127,105

The following chart presents the University's operating revenues for the 2015-16 and 2014-15 fiscal years:



University operating revenues decreased \$11.4 million, or 9 percent as a result of the following factors:

The net student tuition and fees of \$43.3 million was the result of \$77.3 million in gross tuition and fees offset by scholarship allowances of \$34 million. Scholarship allowances represent the difference between the stated charges of goods and services provided by the University, and the amount that is actually paid by the student or third party making payment on behalf of the student. Net student tuition and fees decreased by \$1.4 million, or 3.1 percent, as compared to the 2014-15 fiscal year. This decrease was due primarily to a decline in enrollment.

Sales and services of auxiliary enterprises of \$27.4 million decreased \$6.3 million primarily due to decreases in dining hall revenue.

Grants and contracts revenue of \$42 million decreased \$2.5 million and primarily related to decreases from State, local, and nongovernmental funding.

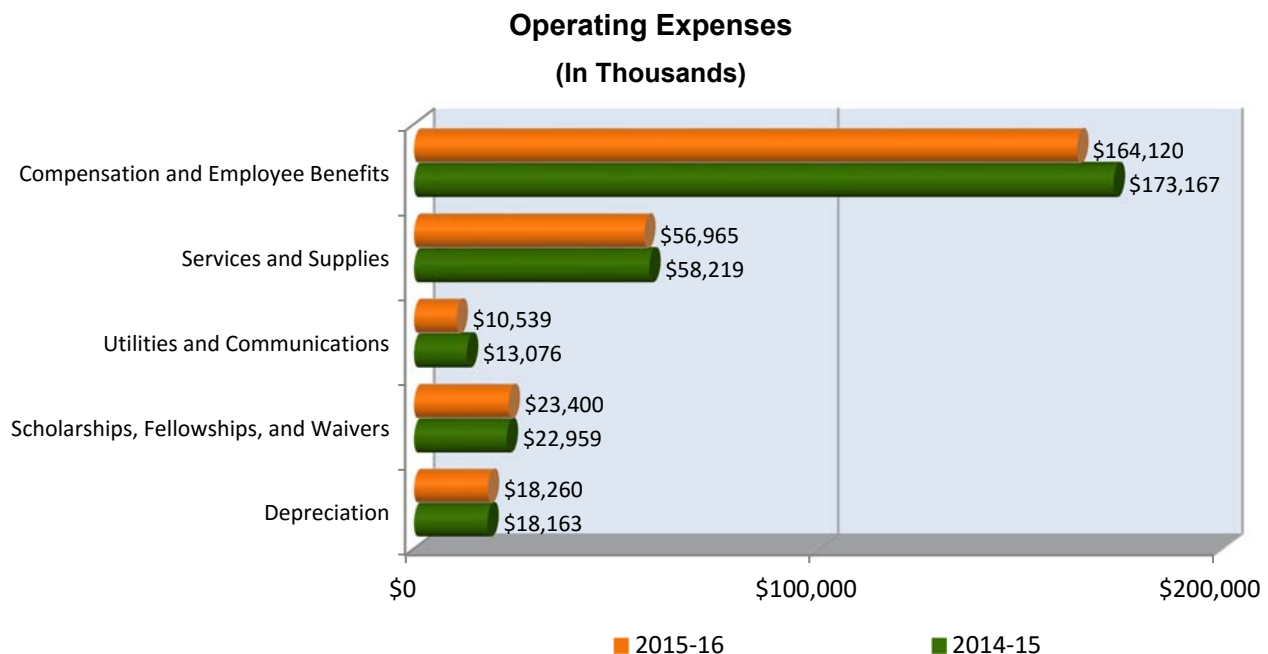
Operating Expenses

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 2015-16 and 2014-15 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	2015-16	2014-15
Compensation and Employee Benefits	\$ 164,120	\$ 173,167
Services and Supplies	56,965	58,219
Utilities and Communications	10,539	13,076
Scholarships, Fellowships, and Waivers	23,400	22,959
Depreciation	18,260	18,163
Total Operating Expenses	\$ 273,284	\$ 285,584

The following chart presents the University's operating expenses for the 2015-16 and 2014-15 fiscal years:



Changes in operating expenses were the result of the following factors:

Compensation and employee benefits decreased \$9 million, or 5.2 percent as compared to the 2014-15 fiscal year primarily due to decreases in salaries for cost reduction efforts and the transfer of the fiscal agent responsibilities of the FAMU/FSU College of Engineering to FSU.

Utilities and communications decreased \$2.5 million, or 19.4 percent, primarily due to decreases in utilities expenses provided by energy savings capital lease contracts.

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 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses) For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Noncapital Appropriations	\$ 96,671	\$ 112,364
Federal and State Student Financial Aid	31,652	32,053
Noncapital Grants, Contracts and Gifts	4,689	6,703
Investment Income	745	962
Unrealized Gain (Losses) on Investments	566	(507)
Loss on Disposal of Capital Assets	(23,537)	-
Interest on Capital Asset-Related Debt	(3,152)	(3,756)
Other Nonoperating Expenses	(822)	(3,017)
Net Nonoperating Revenues	\$ 106,812	\$ 144,802

Net nonoperating revenues decreased by \$38 million, or 26.2 percent, as compared to the 2014-15 fiscal year primarily due to the following factors:

State noncapital appropriations and noncapital grants, contracts, and gifts decreased \$15.7 million and \$2 million, respectively. The decrease in State noncapital appropriations is primarily due to the lack of 2015-16 performance funding allocation and the transfer of fiscal agent responsibilities of the FAMU/FSU College of Engineering to FSU. This transfer also caused the loss on disposal of capital assets. The decrease in noncapital grants, contracts, and gifts is primarily due to a decrease in scholarship support from the Foundation. Other nonoperating expenses decreased by \$2.2 million due primarily to the amount returned for Title IV financial aid in fiscal year 2014-15.

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 2015-16 and 2014-15 fiscal years:

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

	2015-16	2014-15
State Capital Appropriations	\$ 19,594	\$ 17,113
Capital Grants, Contracts, Donations, and Fees	19,931	280
Total	\$ 39,525	\$ 17,393

Other revenues totaled \$39.5 million for the 2015-16 fiscal year, representing an increase of \$22.1 million primarily due to the acquisition of land in Brooksville, Florida donated by the United States Department of Agriculture. In addition, State capital appropriations increased, primarily due to the current construction of the Center for Academic and Student Success as well as the Pharmacy Building.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2015-16 and 2014-15 fiscal years:

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

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	\$ (142,099)	\$ (137,765)
Noncapital Financing Activities	134,421	148,271
Capital and Related Financing Activities	(7,152)	(28,323)
Investing Activities	15,672	21,027
Net Increase in Cash and Cash Equivalents	842	3,210
Cash and Cash Equivalents, Beginning of Year	9,799	6,589
Cash and Cash Equivalents, End of Year	\$ 10,641	\$ 9,799

Major sources of funds came from State noncapital appropriations (\$96.7 million), proceeds from sales and maturities of investments (\$89.2 million), Federal Direct Student Loan receipts (\$83.5 million), net student tuition and fees (\$40.7 million), grants and contracts (\$42.6 million), Federal and State student financial aid (\$31.7 million), sales and services of auxiliary enterprises (\$30.3 million), and State capital appropriations (\$27.5 million). Major uses of funds were for payments made to and on behalf of

employees (\$162.8 million), disbursements to students for Federal direct student loans (\$83.7 million), purchases of investments (\$74.3 million), payments to suppliers (\$68.7 million), purchase or construction of capital assets (\$26.8 million), and payments to and on behalf of students for scholarships and fellowships (\$23.4 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2016, the University had \$827.9 million in capital assets, less accumulated depreciation of \$267.3 million, for net capital assets of \$560.6 million. Depreciation charges for the current fiscal year totaled \$18.3 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>2016</u>	<u>2015</u>
Land	\$ 25,369	\$ 6,592
Works of Art and Historical Treasures	722	722
Construction in Progress	16,148	24,107
Buildings	429,923	428,087
Infrastructure and Other Improvements	65,570	67,567
Furniture and Equipment	10,552	11,920
Library Resources	11,772	12,468
Property Under Capital Leases	548	713
Computer Software and Other Capital Assets	37	89
Capital Assets, Net	<u><u>\$560,641</u></u>	<u><u>\$552,265</u></u>

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2016, were incurred on the following projects: FAMU/FSU College of Engineering Building - Phase III, Pharmacy Building - Phase II, and maintenance and renovation projects. The University's construction commitments at June 30, 2016, are as follows:

	Amount <u>(In Thousands)</u>
Total Committed	\$ 28,864
Completed to Date	<u>(16,149)</u>
Balance Committed	<u><u>\$ 12,715</u></u>

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

Debt Administration

As of June 30, 2016, the University had \$75.8 million in outstanding capital improvement debt payable, and capital leases payable, representing a decrease of \$4.6 million, or 5.8 percent, from the prior fiscal year. This decrease resulted from normally scheduled debt and lease payments. 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)

	2016	2015
Capital Improvement Debt	\$ 63,431	\$ 66,838
Capital Leases Payable	12,359	13,579
Total	\$ 75,790	\$ 80,417

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's major source of revenue continues to be State noncapital appropriations. Therefore, the economic condition of the University is closely tied to that of the State of Florida. The Florida Legislature increased its appropriation to the State University System by \$199 million, or 4.4 percent, for fiscal year 2016-17. This amount includes \$100 million of additional funding for performance based incentives.

For fiscal year 2016-17, the University received an additional allocation of \$11.5 million from the performance funding process. Capital appropriations also increased. The University received an additional \$6.5 million towards the new Center for Student Success, and \$800,000 for the University Career Center.

Enrollment trends continue to influence the University's financial resources. While new State funding is not only based on the headcount of students but also on student outcomes, enrollments in the incoming freshman class have increased in each of the last 3 years. Overall the University continues to project modest enrollment growth of 2.5 percent through the 2021-22 fiscal year. The University has placed strategic emphasis on enhancing its standing as a doctoral research institution, focusing on STEM, agriculture and health-related disciplines. The University is also increasing the availability of online courses and intensive academic support in all academic disciplines in an effort to ensure that students are retained and progress more quickly to receiving their degrees.

In October 2016, Moody's Investor Service downgraded Florida Agricultural and Mechanical University's \$38 million Series 2012A Dormitory Revenue Bonds rating to Baa1. Although the rating reflects enrollment and revenue volatility, it also incorporates the University's flexible reserves relative to its debt and expenses, the University's wide range of academic program offerings, as well as its designations as a Florida land grant University and the only public historically black university in the State.

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

Florida Agricultural and Mechanical University A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,625,397	\$ 3,668,960
Investments	41,851,584	-
Accounts Receivable, Net	18,935,875	3,241,357
Loans and Notes Receivable, Net	30,423	19,269
Due from State	28,337,392	-
Due from Component Units	2,790,323	-
Inventories	533,889	-
Other Current Assets	-	484,293
Total Current Assets	100,104,883	7,413,879
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,015,178	-
Restricted Investments	8,519,020	116,362,310
Loans and Notes Receivable, Net	2,397,143	-
Depreciable Capital Assets, Net	518,400,713	202,235
Nondepreciable Capital Assets	42,239,934	53,325
Total Noncurrent Assets	574,571,988	116,617,870
Total Assets	674,676,871	124,031,749
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	16,314,883	-
Deferred Loss on Bond Debt Refunding	110,123	-
Total Deferred Outflows of Resources	16,425,006	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,983,666	140,832
Construction Contracts Payable	5,511,690	-
Salary and Wages Payable	3,343,133	-
Deposits Payable	828,503	-
Due to State	150,196	-
Due to University	-	2,790,323
Unearned Revenue	7,006,997	367,411
Other Current Liabilities	-	1,753,176
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	3,320,000	-
Capital Leases Payable	1,137,604	-
Compensated Absences Payable	1,267,775	-
Net Pension Liability	874,205	-
Total Current Liabilities	30,423,769	5,051,742

Florida Agricultural and Mechanical University
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2016

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	60,110,805	-
Capital Leases Payable	11,220,916	-
Compensated Absences Payable	19,549,545	-
Other Postemployment Benefits Payable	20,014,000	-
Net Pension Liability	50,218,402	-
Other Noncurrent Liabilities	2,226,020	-
Total Noncurrent Liabilities	<u>163,339,688</u>	<u>-</u>
Total Liabilities	<u>193,763,457</u>	<u>5,051,742</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	<u>7,529,903</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	484,961,445	247,271
Restricted for Nonexpendable:		
Endowment	-	84,254,089
Restricted for Expendable:		
Debt Service	4,692,406	-
Loans	1,854,181	-
Capital Projects	26,554,815	-
Other	-	32,885,833
Unrestricted	<u>(28,254,330)</u>	<u>1,592,814</u>
TOTAL NET POSITION	<u><u>\$ 489,808,517</u></u>	<u><u>\$ 118,980,007</u></u>

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 Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$34,001,595 (\$1,384,767 Pledged for Parking Capital Improvement Debt)	\$ 43,288,326	\$ -
Federal Grants and Contracts	35,949,729	-
State and Local Grants and Contracts	4,713,602	-
Nongovernmental Grants and Contracts	1,351,765	-
Sales and Services of Auxiliary Enterprises (\$14,909,918 Pledged for Housing Capital Improvement Debt and \$557,514 Pledged for Parking Capital Improvement Debt)	27,448,653	-
Other Operating Revenues	2,975,012	8,873,276
Total Operating Revenues	<u>115,727,087</u>	<u>8,873,276</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	164,119,691	2,144,502
Services and Supplies	56,965,199	12,479,155
Utilities and Communications	10,539,437	55,412
Scholarships, Fellowships, and Waivers	23,399,597	-
Depreciation	18,260,123	17,467
Total Operating Expenses	<u>273,284,047</u>	<u>14,696,536</u>
Operating Loss	<u>(157,556,960)</u>	<u>(5,823,260)</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	96,671,280	-
Federal and State Student Financial Aid	31,651,226	-
Noncapital Grants, Contracts, and Gifts	4,689,419	-
Investment Income	744,707	2,233,035
Unrealized Gains (Losses) on Investments	566,138	(5,028,980)
Loss on Disposal of Capital Assets	(23,536,729)	-
Interest on Capital Asset-Related Debt	(3,151,616)	-
Other Nonoperating Expenses	(822,189)	-
Net Nonoperating Revenues (Expenses)	<u>106,812,236</u>	<u>(2,795,945)</u>
Loss Before Other Revenues	<u>(50,744,724)</u>	<u>(8,619,205)</u>
State Capital Appropriations	19,593,421	-
Capital Grants, Contracts, Donations, and Fees	19,930,886	-
Decrease in Net Position	<u>(11,220,417)</u>	<u>(8,619,205)</u>
Net Position, Beginning of Year	501,028,934	124,756,254
Adjustment to Beginning Net Position	-	2,842,958
Net Position, Beginning of Year, as Restated	<u>501,028,934</u>	<u>127,599,212</u>
Net Position, End of Year	<u>\$ 489,808,517</u>	<u>\$ 118,980,007</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 Cash Flows

For the Fiscal Year Ended June 30, 2016

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 40,657,764
Grants and Contracts	42,562,986
Sales and Services of Auxiliary Enterprises, Net	30,282,397
Interest on Loans and Notes Receivable	24,843
Payments to Employees	(162,766,933)
Payments to Suppliers for Goods and Services	(68,664,419)
Payments to Students for Scholarships and Fellowships	(23,399,597)
Loans Issued to Students	(179,332)
Collection on Loans to Students	435,698
Other Operating Disbursements	(1,052,020)
Net Cash Used by Operating Activities	<u>(142,098,613)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	96,671,280
Noncapital Grants, Contracts, and Gifts	4,689,419
Federal and State Student Financial Aid	31,651,226
Federal Direct Loan Program Receipts	83,525,904
Federal Direct Loan Program Disbursements	(83,680,450)
Net Change in Funds Held for Others	1,575,708
Other Nonoperating Disbursements	(12,427)
Net Cash Provided by Noncapital Financing Activities	<u>134,420,660</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	27,476,515
Purchase or Construction of Capital Assets	(26,849,416)
Principal Paid on Capital Debt and Leases	(4,379,840)
Interest Paid on Capital Debt and Leases	(3,399,553)
Net Cash Used by Capital and Related Financing Activities	<u>(7,152,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	89,234,554
Purchases of Investments	(74,291,173)
Investment Income	728,724
Net Cash Provided by Investing Activities	<u>15,672,105</u>
Net Increase in Cash and Cash Equivalents	841,858
Cash and Cash Equivalents, Beginning of Year	<u>9,798,717</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,640,575</u></u>

Florida Agricultural and Mechanical University
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2016

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (157,556,960)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	18,260,123
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	(2,989,145)
Inventories	(39,424)
Loans and Notes Receivable, Net	256,367
Accounts Payable	(1,120,360)
Salaries and Wages Payable	480,146
Deposits Payable	7,662
Compensated Absences Payable	440,479
Unearned Revenue	(269,635)
Other Postemployment Benefits Payable	2,305,000
Net Pension Liability	16,747,456
Deferred Outflows of Resources Related to Pensions	(3,009,375)
Deferred Inflows of Resources Related to Pensions	(15,610,947)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (142,098,613)</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.	\$ 566,138
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.	\$ (23,536,729)
Donation of capital assets were recognized on the statement of revenues,	
expenses, and changes in net position, but are not cash transactions for the	
statement of cash flows.	\$ 19,198,521

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

- Florida Agricultural and Mechanical University Foundation, Inc. is authorized to obtain private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence".
- Florida Agricultural and Mechanical University National Alumni Association, Inc. provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- 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. The annual report is submitted to the Auditor General and the University Board of Trustees.

Additional information on the University's component units, including copies of audit reports, is available by contacting the University Public Relations or, for the Boosters, by contacting the Athletic Director. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related 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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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 differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a 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, on a ratio of total aid to the aid not considered third-party aid.

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

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

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

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 10 years

- Works of Art and Historical Treasures – 5 years
- Computer Software – 3 to 7 years

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Changes

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which requires the University to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

3. Adjustment to Beginning Net Position – Component Unit

The beginning net position of the discretely presented component units was increased by \$2,842,958 due to a prior period adjustment recorded by the Florida Agricultural and Mechanical University Foundation, Inc. as a correction to accounts receivable.

4. Deficit Net Position In Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (44,585,690)
Auxiliary Funds	16,331,360
Total	<u><u>\$ (28,254,330)</u></u>

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's 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; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. 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, 2016, 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	\$ 45,688,594	\$ -	\$ -	\$ 45,688,594
SBA Debt Service Accounts	4,682,010	4,682,010	-	-
Total investments by fair value level	\$ 50,370,604	\$ 4,682,010	\$ -	\$ 45,688,594
Total investments measured at fair value	\$ 50,370,604			

External Investment Pools

The University reported investments at fair value totaling \$45,688,594 at June 30, 2016, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities (Level 3 inputs). 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 A+f by Standard & Poor's, had an effective duration of 2.61 years, and had a fair value factor of 1.0143 at June 30, 2016. 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments totaling \$4,682,010 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the SBA Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units' Investments

Investments held by the University's component units, Florida Agricultural and Mechanical University Foundation, Inc. and Florida Agricultural and Mechanical University National Alumni Association, Inc. at June 30, 2016, are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 11,541,931	\$ -	\$ 11,541,931	\$ -
Corporate Bonds	1,852,869	-	1,852,869	-
Common Stocks	24,707,082	24,707,082	-	-
Mutual Funds	38,557,017	-	38,557,017	-
Hedge Funds	26,620,025	-	10,769,661	15,850,364
Real Estate Fund	7,206,300	-	-	5,885,461
Real Estate Property	-	-	820,839	500,000
Money Market Funds	5,877,086	5,877,086	-	-
Total investments by fair value level	\$116,362,310	\$ 30,584,168	\$ 63,542,317	\$ 22,235,825
Total investments measured at fair value	\$116,362,310			

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2016, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 33,254,116
Contracts and Grants	7,369,616
Interest Receivable	787,626
Other	4,462,447
Total Accounts Receivable	45,873,805
Allowance for Doubtful Accounts	(26,937,930)
Total Accounts Receivable, Net	\$ 18,935,875

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 \$26,937,930 and \$1,254,014 respectively, at June 30, 2016.

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

7. Due From State

This amount consists of \$28,337,392 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 6,592,287	\$ 18,776,988	\$ -	\$ 25,369,275
Works of Art and Historical Treasures	722,300	-	-	722,300
Construction in Progress	24,107,372	26,912,190	34,871,203	16,148,359
Total Nondepreciable Capital Assets	\$ 31,421,959	\$ 45,689,178	\$ 34,871,203	\$ 42,239,934
Depreciable Capital Assets:				
Buildings	\$ 579,654,211	\$ 35,018,990	\$ 35,508,741	\$ 579,164,460
Infrastructure and Other Improvements	86,741,035	141,256	-	86,882,291
Furniture and Equipment	68,018,908	3,360,326	14,913,455	56,465,779
Library Resources	60,865,314	1,645,211	347,808	62,162,717
Property Under Capital Leases	825,660	-	-	825,660
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	247,344	16,908	126,064	138,188
Total Depreciable Capital Assets	796,394,922	40,182,691	50,896,068	785,681,545
Less, Accumulated Depreciation:				
Buildings	151,567,594	10,575,488	12,902,082	149,241,000
Infrastructure and Other Improvements	19,174,290	2,138,223	-	21,312,513
Furniture and Equipment	56,098,467	3,010,504	13,194,656	45,914,315
Library Resources	48,397,321	2,341,233	347,808	50,390,746
Property Under Capital Leases	113,207	165,132	-	278,339
Leasehold Improvements	-	-	-	-
Works of Art and Historical Treasures	42,450	-	-	42,450
Computer Software and Other Capital Assets	159,029	29,543	87,103	101,469
Total Accumulated Depreciation	275,552,358	18,260,123	26,531,649	267,280,832
Total Depreciable Capital Assets, Net	\$ 520,842,564	\$ 21,922,568	\$ 24,364,419	\$ 518,400,713

9. Unearned Revenue

Unearned revenue at June 30, 2016, includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education to spend the funds, money drawn in advance of incurring expenses for cost reimbursement contracts and grants, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2016, the University reported the following amounts as unearned revenue:

Description	Amount
Capital Appropriations	\$ 1,037,772
Contracts and Grants	4,215,582
Student Tuition and Fees	1,753,643
Total Unearned Revenue	\$ 7,006,997

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2016, include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension

liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 66,837,742	\$ -	\$ 3,406,937	\$ 63,430,805	\$ 3,320,000
Capital Leases Payable	13,579,360	-	1,220,840	12,358,520	1,137,604
Compensated Absences Payable	20,376,841	1,854,090	1,413,611	20,817,320	1,267,775
Other Postemployment Benefits Payable	17,709,000	3,584,000	1,279,000	20,014,000	-
Net Pension Liability	34,345,151	37,582,869	20,835,413	51,092,607	874,205
Other Noncurrent Liabilities	2,238,448	-	12,428	2,226,020	-
Total Long-Term Liabilities	\$ 155,086,542	\$ 43,020,959	\$ 28,168,229	\$ 169,939,272	\$ 6,599,584

Capital Improvements Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2016:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2010A Dormitory	\$ 14,687,000	\$ 12,048,410	5.07	2030
2010B Dormitory Revenue Refunding	12,960,000	8,521,980	4.6	2025
2012A Dormitory	47,866,585	42,433,268	4.0 - 5.0	2032
Total Student Housing Debt	75,513,585	63,003,658		
Parking Garage Debt:				
1997 Parking Garage	2,880,000	427,147	5.3	2018
Total Capital Improvement Debt	\$ 78,393,585	\$ 63,430,805		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future traffic and parking fees to repay \$427,147 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable through 2018 solely from traffic and parking fees and parking sales revenue. The University has committed to appropriate each year from traffic and parking fees and parking sales revenues, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$464,450, and principal and interest paid for the current year totaled \$233,290. Income from traffic and parking fees, and parking sales for the 2015-16 fiscal year totaled \$1,384,767 and \$557,514, respectively.

The University has pledged a portion of future housing rental revenues to repay \$63,003,658 in capital improvement (housing) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing for the refunding of existing capital improvement debt for student housing facilities, to remodel two existing student housing facilities, and for the construction of a new 800-bed dormitory. The bonds are payable solely from housing rental income and

are payable through 2032. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$82,597,213, and principal and interest paid for the current year totaled \$5,916,066. During the 2015-16 fiscal year, housing rental income totaled \$14,909,918.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,320,000	2,833,930	\$ 6,153,930
2018	3,486,000	2,669,446	6,155,446
2019	3,427,000	2,496,807	5,923,807
2020	3,599,000	2,327,788	5,926,788
2021	3,781,000	2,150,333	5,931,333
2022-2026	19,540,000	7,861,277	27,401,277
2027-2031	18,964,000	3,152,282	22,116,282
2032	3,320,000	132,800	3,452,800
Subtotal	59,437,000	23,624,663	83,061,663
Net Discounts and Premiums	3,993,805	-	3,993,805
Total	<u>\$ 63,430,805</u>	<u>\$ 23,624,663</u>	<u>\$ 87,055,468</u>

Capital Leases Payable. In prior years, the University entered into capital lease agreements totaling \$14,786,173 to finance energy performance savings contracts. The stated interest rates are 4.5 and 2.5946 percent. In fiscal year 2014-15, the University entered into 2 additional capital lease agreements totaling \$825,660, to finance telecommunications and emergency vehicle equipment. The stated interest rates are 5.83 and 6.083 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,541,671
2018	1,541,671
2019	1,517,040
2020	1,216,193
2021	1,030,262
2022-2026	5,151,311
2027-2029	2,319,557
Total Minimum Payments	14,317,705
Less, Amount Representing Interest	1,959,185
Present Value of Minimum Payments	<u>\$ 12,358,520</u>

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, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$20,817,320. The current portion of the compensated absences liability, \$1,267,775, is the amount estimated to be paid in the coming fiscal year, and is based on actual payouts over the last 3 years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. 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, an agent multiple employer defined benefit plan (OPEB Plan). 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2015-16 fiscal year, 366 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,279,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,539,000, which represents 1.4 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,599,000
Amortization of Unfunded Actuarial Accrued Liability	1,795,000
Interest on Normal Cost and Amortization	136,000
Annual Required Contribution	3,530,000
Interest on Net OPEB Obligation	708,000
Adjustment to Annual Required Contribution	(654,000)
Annual OPEB Cost (Expense)	3,584,000
Contribution Toward the OPEB Cost	(1,279,000)
Increase in Net OPEB Obligation	2,305,000
Net OPEB Obligation, Beginning of Year	17,709,000
Net OPEB Obligation, End of Year	\$ 20,014,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	\$ 5,262,000	21.9%	13,858,000
2014-15	4,893,000	21.3%	17,709,000
2015-16	3,584,000	35.7%	20,014,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$48,574,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$48,574,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$112,949,530 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 43 percent.

Actuarial valuations for an OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of

sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the University's 2015-16 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1 percent, 7.5 percent, and 8.8 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3 percent, 5.7 percent, and 7 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 60 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

Other Noncurrent Liabilities. Other noncurrent liabilities represent the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$2,226,020 at June 30, 2016.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 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. 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.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of

Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled \$4,459,285 for the 2015-16 fiscal year.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of 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 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 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.

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 chart 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
Special Risk Regular	
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS 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 is 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 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Teachers' Retirement System, Plan E	6.25	11.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 \$5,177,640 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of \$28,186,827 for its proportionate share of the net pension liability. The net pension liability was measured as of

June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.218226097 percent, which was a decrease of 0.000997042 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of \$2,708,814. 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	\$ 2,975,694	\$ 668,506
Change of assumptions	1,870,854	-
Net difference between projected and actual earnings on FRS Plan investments	-	6,730,542
Changes in proportion and differences between University contributions and proportionate share of contributions	3,088,724	130,855
University contributions subsequent to the measurement date	5,177,640	-
Total	\$ 13,112,912	\$ 7,529,903

The deferred outflows of resources related to pensions totaling \$5,177,640, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. 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>
2017	\$ (1,536,177)
2018	(1,536,177)
2019	(1,536,177)
2020	4,016,731
2021	836,139
Thereafter	161,030
Total	\$ 405,369

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of Plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	\$ 73,038,444	\$ 28,186,827	\$ (9,137,085)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2016, 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, 2016, 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 \$1,154,511 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of \$22,905,780 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.224601105 percent, which was an increase of 0.000336203 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of \$1,750,471. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	\$ 1,802,087
Net difference between projected and actual earnings on HIS Plan investments	12,400
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	232,973
University HIS contributions subsequent to the measurement date	1,154,511
Total	\$ 3,201,971

The deferred outflows of resources related to pensions totaling \$1,154,511, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	\$ 357,823
2018	357,823
2019	357,823
2020	355,302
2021	354,093
Thereafter	264,596
Total	\$ 2,047,460

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.80 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index

was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
University's proportionate share of the net pension liability	\$ 26,100,070	\$ 22,905,780	\$ 20,242,221

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

12. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, 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 rollover 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 \$691,262 for the fiscal year ended June 30, 2016.

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 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, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$3,375,689 and employee contributions totaled \$2,426,214 for the 2015-16 fiscal year.

13. Construction Commitments

The University's construction commitments at June 30, 2016, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Center for Academic and Student Success	\$ 1,671,298	\$ 260,407	\$ 1,410,891
FAMU/FSU College of Engineering - Phase III	17,966,770	10,240,995	7,725,775
Electrical and Technical Upgrades	1,513,706	1,337,110	176,596
Utilities and Infrastructure Projects	1,820,121	1,331,866	488,255
Student Union Renovation	2,938,915	1,606,853	1,332,062
Student Service Center - Dining Hall	283,500	251,530	31,970
Quincy Farms Expansion	1,041,967	543,593	498,374
Maintenance and Renovations	1,627,457	576,005	1,051,452
Total	\$ 28,863,734	\$ 16,148,359	\$ 12,715,375

14. Operating Lease Commitments

The University leased building space under operating leases, which expire in 2019. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2017	\$ 112,180
2018	117,309
2019	49,769
Total Minimum Payments Required	\$ 279,258

15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2015-16 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 \$54 million for named windstorm and flood through February 14, 2016, and increased to \$85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash

needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

16. Litigation

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

17. Functional Distribution Of Operating Expenses

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

Functional Classification	Amount
Instruction	\$ 71,154,268
Research	22,777,070
Public Services	313,404
Academic Support	42,850,277
Student Services	7,194,776
Institutional Support	40,024,699
Operation and Maintenance of Plant	20,488,532
Scholarships, Fellowships, and Waivers	23,399,597
Depreciation	18,260,123
Auxiliary Enterprises	26,677,471
Loan Operations	143,830
Total Operating Expenses	\$ 273,284,047

18. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition,

the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources and liabilities are required to be accounted for separately. The following financial information for the University's Housing and Parking facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	<u>Housing Facility</u>	<u>Parking Facility</u>
Assets		
Current Assets	\$ 11,403,209	\$ 2,462,439
Capital Assets, Net	79,619,397	2,168,244
Total Assets	<u>91,022,606</u>	<u>4,630,683</u>
Deferred Outflow of Resources	<u>110,123</u>	<u>-</u>
Liabilities		
Current Liabilities	5,201,547	248,743
Noncurrent Liabilities	60,110,687	245,543
Total Liabilities	<u>65,312,234</u>	<u>494,286</u>
Net Position		
Net Investment in Capital Assets	17,940,285	1,741,097
Restricted - Expendable	4,734,651	854,255
Unrestricted	3,145,559	1,541,045
Total Net Position	<u>\$ 25,820,495</u>	<u>\$ 4,136,397</u>

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

	<u>Housing Facility</u>	<u>Parking Facility</u>
Operating Revenues	\$ 14,909,918	\$ 1,942,281
Depreciation Expense	(2,111,610)	(80,375)
Other Operating Expenses	(7,605,430)	(1,557,603)
Operating Income	<u>5,192,878</u>	<u>304,303</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	740,534	-
Interest Expense	(2,963,228)	(33,290)
Other Nonoperating Expense	-	(323,058)
Net Nonoperating Expenses	<u>(2,222,694)</u>	<u>(356,348)</u>
Increase (Decrease) in Net Position	2,970,184	(52,045)
Net Position, Beginning of Year	22,850,311	4,188,442
Net Position, End of Year	<u>\$ 25,820,495</u>	<u>\$ 4,136,397</u>

Condensed Statement of Cash Flows

	<u>Housing Facility</u>	<u>Parking Facility</u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 7,533,972	\$ 426,466
Noncapital Financing Activities	-	(97,656)
Capital and Related Financing Activities	(6,137,130)	(458,739)
Investing Activities	(1,396,264)	47
	<u>578</u>	<u>(129,882)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	578	(129,882)
Cash and Cash Equivalents, Beginning of Year	1,861,313	2,308,333
	<u>1,861,891</u>	<u>2,178,451</u>
Cash and Cash Equivalents, End of Year	\$ 1,861,891	\$ 2,178,451

19. 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 for the Florida Agricultural and Mechanical University Foundation, Inc.; Florida Agricultural and Mechanical University National Alumni Association, Inc.; and Rattler Boosters, Inc. is from the most recently available audited financial statements:

Condensed Statement of Net Position

	Direct-Support Organizations			
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Rattler Boosters, Inc.	Total
Assets:				
Current Assets	\$ 7,133,902	\$ 30,164	\$ 249,813	\$ 7,413,879
Capital Assets, Net	247,271	-	8,289	255,560
Other Noncurrent Assets	114,438,323	1,923,987	-	116,362,310
Total Assets	121,819,496	1,954,151	258,102	124,031,749
Liabilities:				
Current Liabilities	4,676,803	1,063	373,876	5,051,742
Net Position:				
Net Investment in Capital Assets	247,271	-	-	247,271
Restricted Nonexpendable	84,254,089	-	-	84,254,089
Restricted Expendable	31,094,045	1,791,788	-	32,885,833
Unrestricted	1,547,288	161,300	(115,774)	1,592,814
Total Net Position	\$ 117,142,693	\$ 1,953,088	\$ (115,774)	\$ 118,980,007

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

	Direct-Support Organizations			
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Rattler Boosters, Inc.	Total
Operating Revenues	\$ 7,695,582	\$ 682,966	\$ 494,728	\$ 8,873,276
Operating Expenses	(13,801,859)	(446,550)	(448,127)	(14,696,536)
Operating Income (Loss)	(6,106,277)	236,416	46,601	(5,823,260)
Net Nonoperating Revenues (Expenses)	(2,848,051)	52,106	-	(2,795,945)
Increase (Decrease) in Net Position	(8,954,328)	288,522	46,601	(8,619,205)
Net Position, Beginning of Year	123,254,063	1,664,566	(162,375)	124,756,254
Adjustment to Beginning Net Position	2,842,958	-	-	2,842,958
Net Position, Beginning of Year, as restated	126,097,021	1,664,566	(162,375)	127,599,212
Net Position, End of Year	\$ 117,142,693	\$ 1,953,088	\$ (115,774)	\$ 118,980,007

20. Joint Ventures and Jointly Governed Organizations

The University's Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of 6 members each from the University and Bethune-Cookman University. The primary purpose of the FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise, and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According to a report issued by an independent certified public accounting firm, the University received distributions of \$300,000 and retained ticket sales of \$448,010 for a total distribution of \$748,010 from the proceeds of the Florida Classic football game held on November 21, 2015.

21. Subsequent Event

In October 2016, Moody's Investor Service downgraded Florida Agricultural and Mechanical University's \$38 million Series 2012A Dormitory Revenue Bonds rating to Baa1. Although the rating reflects enrollment and revenue volatility, it also incorporates the University's flexible reserves relative to its debt and expenses, the University's wide range of academic program offerings, as well as its designations as a Florida land grant University and the only public historically black university in the State.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 42,680,000	\$ 42,680,000	0%	\$ 111,350,338	38.3%
7/1/2013	-	67,115,000	67,115,000	0%	116,383,694	57.7%
7/1/2015	-	48,574,000	48,574,000	0%	112,949,530	43.0%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.218226097%	0.219223139%	0.192935113%
University's proportionate share of the FRS net pension liability	\$ 28,186,827	\$ 13,375,835	\$ 33,212,720
University's covered-employee payroll (2)	109,391,428	106,068,813	103,898,906
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	25.77%	12.61%	31.97%

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

(2) Covered-employee 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

	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 5,177,640	\$ 5,320,538	\$ 4,801,917
FRS contributions in relation to the contractually required contribution	(5,177,640)	(5,320,538)	(4,801,917)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered-employee payroll (2)	\$ 111,280,144	\$ 109,391,428	\$ 106,068,813
FRS contributions as a percentage of covered-employee payroll	4.65%	4.86%	4.53%

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

(2) Covered-employee 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 the University's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.224601105%	0.224264902%	0.220974771%
University's proportionate share of the HIS net pension liability	\$ 22,905,780	\$ 20,969,316	\$ 19,238,759
University's covered-employee payroll (2)	66,541,722	65,648,265	62,952,635
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.42%	31.94%	30.56%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%	1.78%

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

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

**Schedule of University Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 1,154,511	\$ 858,565	\$ 768,256
HIS contributions in relation to the contractually required HIS contribution	(1,154,511)	(858,565)	(768,256)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 69,785,144	\$ 66,541,722	\$ 65,648,265
HIS contributions as a percentage of covered-employee payroll	1.65%	1.29%	1.17%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of \$48,574,000 was significantly lower than the July 1, 2013, liability of \$67,115,000 primarily as a result of (1) the per capita claims cost assumption was revised, (2) retiree contributions were not as high as expected, (3) the healthcare trend rate assumption was revised, (4) certain demographic assumptions were revised (retiree rates, termination rates, etc.), and (5) changes in allocations by agency based on current census information.

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

Changes of assumptions. As of June 30, 2015, the municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.



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, 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 27, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

The results of our operational audit of the University will be presented in a separate report.

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 report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 27, 2017