Report No. 2021-144
March 2021

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

FLORIDA POLYTECHNIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2020

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Randy K. Avent served as President of Florida Polytechnic University and the following individuals served as Members of the Board of Trustees:

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

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

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

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FLORIDA POLYTECHNIC UNIVERSITY

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Polytechnic University and of its discretely presented component unit as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, on our consideration of the Florida Polytechnic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S**

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

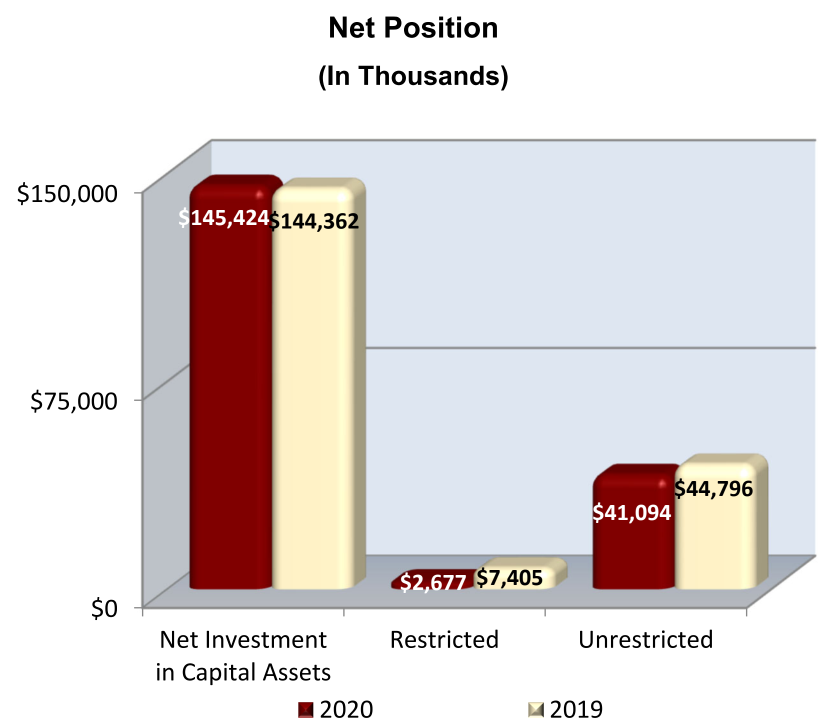
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

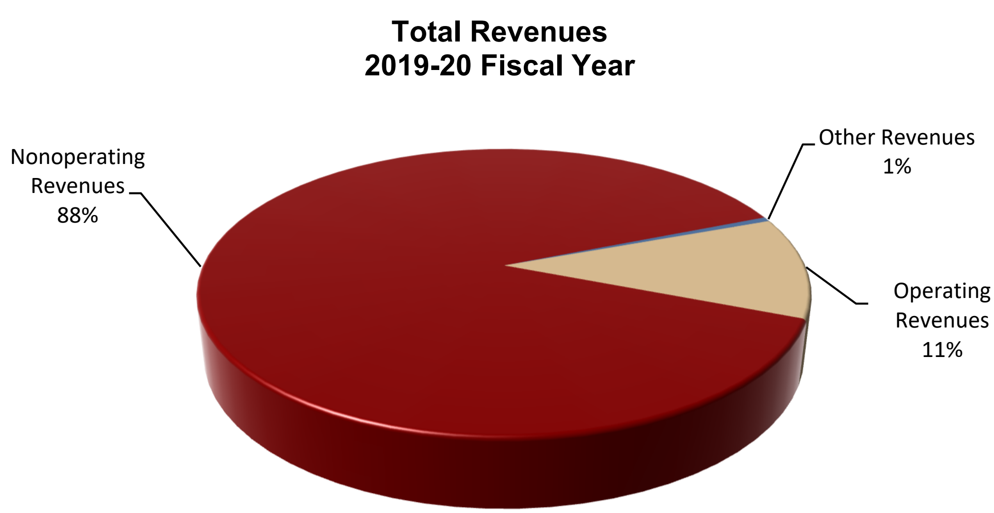
The University's assets and deferred outflows of resources totaled $223.4 million at June 30, 2020. This balance reflects a $2.1 million, or 1 percent, increase as compared to the 2018-19 fiscal year, resulting from increases in construction in progress and deferred outflows of resources. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $9.5 million, or 38.3 percent, totaling $34.3 million at June 30, 2020, resulting from increases in other postemployment benefits liability, deferred inflows of resources related to other postemployment benefits, net pension liability, and construction contracts payable. As a result, the University's net position decreased by $7.4 million, resulting in a year-end balance of $189.2 million.

The University's operating revenues totaled $6.6 million for the 2019-20 fiscal year, representing a 20.1 percent decrease compared to the 2018-19 fiscal year due mainly to a decrease in student tuition and fees, State and local grants and contracts, and sales and services of Auxiliary Enterprises. Operating expenses totaled $65 million for the 2019-20 fiscal year, representing an increase of 7.4 percent as compared to the 2018-19 fiscal year due mainly to increased compensation and employee benefits.

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, 2020, and June 30, 2019, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2019-20 fiscal year:



Overview of Financial Statements

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

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2020	2019
Assets		
Current Assets	$ 34,281	$ 47,990
Capital Assets, Net	150,320	145,043
Other Noncurrent Assets	28,136	19,571
Total Assets	212,737	212,604
Deferred Outflows of Resources	10,711	8,733
Liabilities		
Current Liabilities	7,334	5,269
Noncurrent Liabilities	24,353	17,989
Total Liabilities	31,687	23,258
Deferred Inflows of Resources	2,566	1,516
Net Position		
Net Investment in Capital Assets	145,424	144,362
Restricted	2,677	7,405
Unrestricted	41,094	44,796
Total Net Position	$ 189,195	$ 196,563

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

- The net decrease in current and noncurrent assets was due to the net decrease in investments that were used to fund the construction of the Applied Research Center (ARC) building and a decrease in the Public Education Capital Outlay (PECO) receivable for reimbursements of the ARC building.

- Capital Assets increased $5.3 million due to the increase of construction in progress for the ARC building offset by additions to accumulated depreciation.
- Deferred outflows increased $2 million primarily due to the updated actuarial assumptions used in calculating other postemployment benefits (OPEB).
- Liabilities increased $8.4 million due to construction contracts payables for the ARC building, and updated actuarial assumptions used in calculating pension and OPEB liabilities.

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

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

The following summarizes the University's activity for the 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	2019-20	2018-19
Operating Revenues	$ 6,614	$ 8,281
Less, Operating Expenses	64,978	60,501
Operating Loss	(58,364)	(52,220)
Net Nonoperating Revenues	50,788	58,336
Income (Loss) Before Other Revenues and Loss	(7,576)	6,116
Other Revenues and Loss	208	(5,422)
Net Increase (Decrease) In Net Position	(7,368)	694
Net Position, Beginning of Year	196,563	195,869
Net Position, End of Year	$ 189,195	$ 196,563

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 2019-20 and 2018-19 fiscal years:

Operating Revenues
For the Fiscal Years

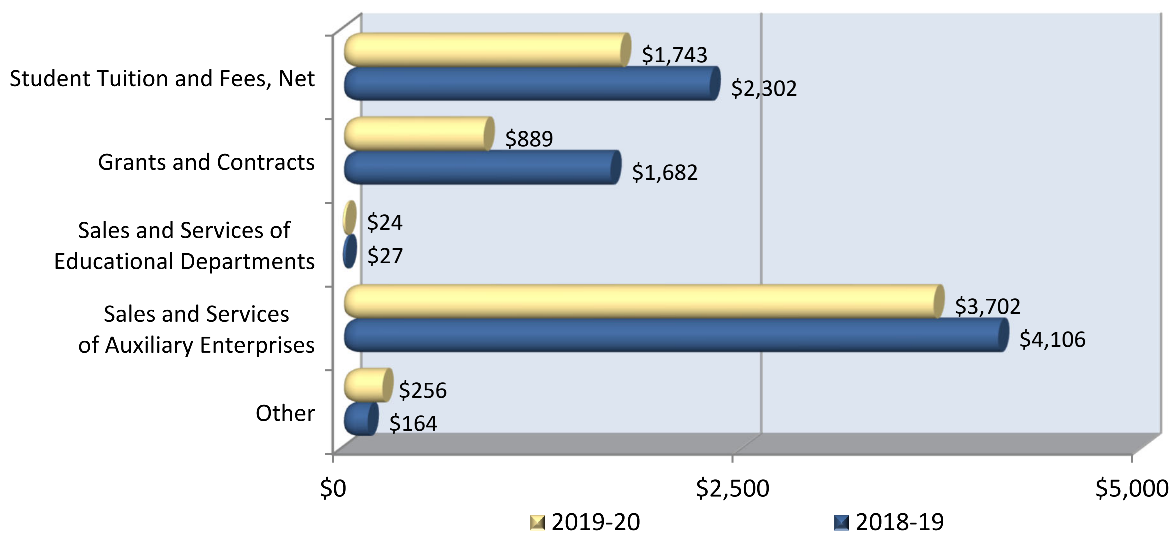
(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	$ 1,743	$ 2,302
Grants and Contracts	889	1,682
Sales and Services of Educational Departments	24	27
Sales and Services of Auxiliary Enterprises	3,702	4,106
Other	256	164
Total Operating Revenues	$ 6,614	$ 8,281

The following chart presents the University's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues

(In Thousands)



University operating revenues decreased $1.7 million due to fewer grants received and an overall decline in sales and services of auxiliary enterprises because of COVID-19.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2019-20 and 2018-19 fiscal years:

Operating Expenses
For the Fiscal Years

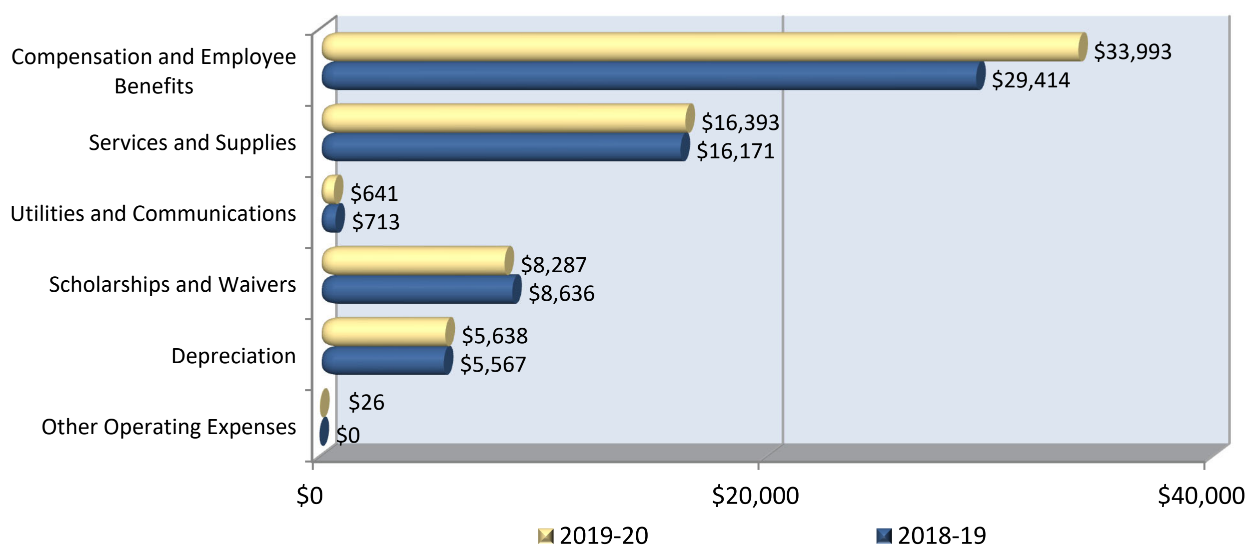
(In Thousands)

	2019-20	2018-19
Compensation and Employee Benefits	$ 33,993	$ 29,414
Services and Supplies	16,393	16,171
Utilities and Communications	641	713
Scholarships and Waivers	8,287	8,636
Depreciation	5,638	5,567
Other Operating Expenses	26	-
Total Operating Expenses	$ 64,978	$ 60,501

The following chart presents the University's operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses

(In Thousands)



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

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
State Noncapital Appropriations	$ 38,744	$ 39,207
Federal and State Student Financial Aid	9,076	8,485
Investment Income	1,650	1,278
Other Nonoperating Revenues	413	8,170
Unrealized Gain on Investments	1,188	1,253
Loss on Disposal of Capital Assets	(4)	-
Interest on Capital Asset-Related Debt	(19)	(38)
Other Nonoperating Expenses	(260)	(19)
Net Nonoperating Revenues	$ 50,788	$ 58,336

Net nonoperating revenues decreased primarily because the prior fiscal year included a significant insurance recovery for damage to the Innovation, Science and Technology building from Hurricane Irma.

Other Revenues and Loss

This category is composed of State capital appropriations and capital grants, contracts, donations, fees, and prior loss. The following summarizes the University's other revenues and loss for the 2019-20 and 2018-19 fiscal years:

Other Revenues and Loss
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
State Capital Appropriations	$ 208	$ 157
Capital Grants, Contracts, Donations, and Fees	-	140
Special Item - Loss on Forgiveness of Scholarship Pledge	-	(5,719)
Total	$ 208	$ (5,422)

Other revenues and loss increased because there was no loss related to the forgiveness of scholarship pledge as recognized in the 2018-19 fiscal year.

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 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
Cash Provided (Used) by:		
Operating Activities	$ (45,598)	$ (44,191)
Noncapital Financing Activities	47,972	47,689
Capital and Related Financing Activities	(4,658)	3,805
Investing Activities	2,297	(7,590)
Net Increase (Decrease) in Cash and Cash Equivalents	13	(287)
Cash and Cash Equivalents, Beginning of Year	205	492
Cash and Cash Equivalents, End of Year	$ 218	$ 205

Major sources of funds came from State noncapital appropriations ($38.7 million), Federal and State Student Financial Aid ($9.1 million), sales and services of auxiliary enterprises ($3.7 million), Federal Direct Loan program receipts ($2.3 million), State Capital Appropriations ($2.1 million), investment income ($1.7 million), and net student tuition and fees ($1.7 million). Major uses of funds were for payments made to and on behalf of employees ($28.3 million), payments to suppliers ($15.7 million), payments to and on behalf of students for scholarships ($8.4 million), purchases or construction of capital assets ($6.3 million), and Federal Direct Loan program disbursements ($2.3 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the University had $181 million in capital assets, less accumulated depreciation of $30.7 million, for net capital assets of $150.3 million. Depreciation charges for the current fiscal year totaled $5.6 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)

	2020	**2019**
Land	$ 18,156	$ 18,156
Construction in Progress	11,913	1,211
Buildings	85,180	87,315
Infrastructure and Other Improvements	29,008	32,765
Furniture and Equipment	2,719	3,786
Library Resources	-	1
Other Capital Assets	3,344	1,809
Capital Assets, Net	$ 150,320	$ 145,043

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred on the ARC building and the Reclaimed Water Project. The University's construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 32,619
Completed to Date	11,914
Balance Committed	$ 20,705

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

Debt Administration

As of June 30, 2020, the University had $306,000 in outstanding installment purchases payable and capital leases payable, representing a decrease of $363,000, or 54.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2020	2019
Installment Purchases	$ 249	$ 615
Capital Leases	57	54
Total	$ 306	$ 669

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

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. The State of Florida Legislature appropriated 3.7 percent less general revenue than the 2019-20 fiscal year for the upcoming 2020-21 fiscal year. Additionally, the State is "holding back" 6 percent of the $36.4 million general revenue appropriated; the permanency of this hold back has not yet been determined. The University expects student generated revenues to increase as we have the largest incoming class of our short history in the upcoming fiscal year; however, we remain cautiously optimistic as we continue to navigate through the pandemic. Auxiliary revenues may continue to decline because of sustained closures in auxiliary venues due to COVID-19. Additionally, the costs of social distancing and keeping our students, faculty and staff in a sheltered environment will impact net revenues.

Requests for Information

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Penelope Farley, Assistant Vice President for Finance and Administration, and University Controller, Florida Polytechnic University, 4700 Research Way, Lakeland, Florida 33805-8531.

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

June 30, 2020

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 217,504	$ 1,011,539
Investments	27,439,342	340,532
Accounts Receivable, Net	322,556	-
Contributions Receivable, Net	-	249,264
Interest Receivable	153,317	5,034
Due from State	5,288,292	-
Due from Component Unit	116,308	-
Contracts and Grants Receivable	211,359	-
Other Current Assets	532,833	800
Total Current Assets	34,281,511	1,607,169
Noncurrent Assets:		
Restricted Investments	28,135,513	5,111,030
Contributions Receivable, Net	-	217,700
Depreciable Capital Assets, Net	120,250,562	-
Nondepreciable Capital Assets	30,069,425	-
Total Noncurrent Assets	178,455,500	5,328,730
Total Assets	212,737,011	6,935,899
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	3,353,647	-
Pensions	7,356,965	-
Total Deferred Outflows of Resources	10,710,612	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	403,596	21,623
Construction Contracts Payable	4,590,548	-
Salary and Wages Payable	1,025,413	-
Deposits Payable	78,753	-
Due to Primary Government	112	-
Due to University	-	116,308
Unearned Revenue	678,942	-
Other Current Liabilities	-	2,750,000
Long-Term Liabilities - Current Portion:		
Installment Purchases Payable	205,774	-
Capital Leases Payable	19,056	-
Compensated Absences Payable	157,812	-
Other Postemployment Benefits Liability	114,859	-
Net Pension Liability	59,468	-
Total Current Liabilities	7,334,333	2,887,931

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Installment Purchases Payable	43,224	-
Capital Leases Payable	37,631	-
Compensated Absences Payable	1,420,306	-
Other Postemployment Benefits Liability	8,767,017	-
Net Pension Liability	14,084,733	-
Total Noncurrent Liabilities	24,352,911	-
Total Liabilities	31,687,244	2,887,931
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	1,662,411	-
Pensions	903,350	-
Total Deferred Inflows of Resources	2,565,761	-
NET POSITION		
Net Investment in Capital Assets	145,423,754	-
Restricted for Nonexpendable:		
Endowment	-	2,176,573
Restricted for Expendable:		
Capital Projects	2,466,983	-
Grants and Loans	210,283	-
Other	-	839,417
Unrestricted	41,093,598	1,031,978
TOTAL NET POSITION	$ 189,194,618	$ 4,047,968

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

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

For the Fiscal Year Ended June 30, 2020

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $5,477,466	$ 1,743,267	$ -
Federal Grants and Contracts	162,027	-
State and Local Grants and Contracts	147,220	-
Nongovernmental Grants and Contracts	578,761	-
Sales and Services of Educational Departments	24,224	-
Sales and Services of Auxiliary Enterprises	3,702,115	-
Contributions, Net	-	790,189
Other Operating Revenues	255,996	-
Total Operating Revenues	6,613,610	790,189
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	33,993,535	-
Services and Supplies	16,392,910	241,797
Utilities and Communications	640,631	-
Scholarships, Fellowships, and Waivers	8,286,602	290,000
Depreciation	5,638,495	-
Other Operating Expenses	26,278	478,340
Total Operating Expenses	64,978,451	1,010,137
Operating Loss	(58,364,841)	(219,948)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	38,743,706	-
Federal and State Student Financial Aid	9,075,597	-
Unrealized Gain on Investment	1,188,448	-
Investment Income	1,650,144	155,425
Loss on Sale of Capital Assets	(4,699)	-
Other Nonoperating Revenues	413,498	2,827
Interest on Capital Asset-Related Debt	(18,737)	-
Other Nonoperating Expenses	(260,303)	-
Net Nonoperating Revenues	50,787,654	158,252
Loss Before Other Revenues	(7,577,187)	(61,696)
State Capital Appropriations	208,433	-
Decrease in Net Position	(7,368,754)	(61,696)
Net Position, Beginning of Year	196,563,372	4,109,664
Net Position, End of Year	$ 189,194,618	$ 4,047,968

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

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

For the Fiscal Year Ended June 30, 2020

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 1,655,145
Grants and Contracts	676,649
Sales and Services of Educational Departments	24,224
Sales and Services of Auxiliary Enterprises	3,702,115
Payments to Employees	(28,313,251)
Payments to Suppliers for Goods and Services	(15,723,549)
Payments to Students for Scholarships and Fellowships	(8,399,846)
Other Operating Receipts	780,130
Net Cash Used by Operating Activities	(45,598,383)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	38,743,706
Federal and State Student Financial Aid	9,075,597
Federal Direct Loan Program Receipts	2,302,527
Federal Direct Loan Program Disbursements	(2,302,527)
Other Nonoperating Receipts	413,498
Other Nonoperating Disbursements	(260,303)
Net Cash Provided by Noncapital Financing Activities	47,972,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,077,167
Purchase or Construction of Capital Assets	(6,330,865)
Principal Paid on Capital Debt and Leases	(385,691)
Interest Paid on Capital Debt and Leases	(18,737)
Net Cash Used by Capital and Related Financing Activities	(4,658,126)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	59,786,372
Purchases of Investments	(59,136,107)
Investment Income	1,646,552
Net Cash Provided by Investing Activities	2,296,817
Net Increase in Cash and Cash Equivalents	12,806
Cash and Cash Equivalents, Beginning of Year	204,698
Cash and Cash Equivalents, End of Year	$ 217,504

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (58,364,841)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,638,495
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(299,481)
Due from Component Unit	(113,244)
Other Assets	1,848,423
Accounts Payable	(538,319)
Salaries and Wages Payable	149,316
Deposits Payable	48,454
Compensated Absences Payable	85,761
Unearned Revenue	501,846
Other Postemployment Benefits Payable	4,660,876
Net Pension Liability	1,712,376
Deferred Outflows of Resources Related to Other Postemployment Benefits	(3,336,647)
Deferred Inflows of Resources Related to Other Postemployment Benefits	1,235,411
Deferred Outflows of Resources Related to Pensions	1,359,180
Deferred Inflows of Resources Related to Pensions	(185,989)
NET CASH USED BY OPERATING ACTIVITIES	$ (45,598,383)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 1,188,448
The University entered into a capital lease, which was recognized on the statement of net position, but is not a cash transaction for the statement of cash flows.	$ 22,177

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property, $100,000 for infrastructure and other improvements, and $250,000 for building renovations, except that all new buildings and projects adding new square footage are capitalized. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

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

2. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to 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.

All of the University's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs), with the exception of obligations of United States government agencies and instrumentalities, and corporate equity securities which are valued using a matrix pricing model (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2020, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 39,331,869	$ -	$ -	$ 39,331,869
United States Treasury Securities	6,774,967	6,774,967	-	-
Obligations of United States Government Agencies and Instrumentalities	4,490,438	-	4,490,438	-
Corporate Equity Securities	4,722,073	-	4,722,073	-
Money Market Funds	255,508	255,508	-	-
Total investments by fair value level	$ 55,574,855	$ 7,030,475	$ 9,212,511	$ 39,331,869

<u>External Investment Pools</u>.

The University reported investments at fair value totaling $39,331,869 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities.

Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years, and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments.

The University's other investment consisted of various debt securities and money market funds totaling $16,242,986 at June 30, 2020. The following risks apply to those investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy generally requires that the investment portfolio be maintained in such a manner as to provide sufficient liquidity to pay obligations as they become due. Recognizing that market value volatility is a function of maturity, a segment of the portfolio shall be maintained in a short-term maturity portfolio. Funds in excess of those required to meet current expenses may be invested in longer-term portfolios. Investment maturities at June 30, 2020 were as follows:

		Investment Maturities (In Years)		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**
Obligations of United States Government Agencies and Instrumentalities	$ 4,490,438	$ 1,175,135	$ 3,315,303	$ -
United States Treasury Securities	6,774,967	1,083,140	3,873,035	1,818,792
Corporate Equity Securities	4,722,073	959,287	2,523,243	1,239,543
Money Market Funds	255,508	255,508	-	-
Total investments by investment maturities	$ 16,242,986	$ 3,473,070	$ 9,711,581	$ 3,058,335

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. United States Treasury Securities or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2020, the University had $6,774,967 of these investments. The University's investment policy requires the portfolio provide specific types of investments that may be purchased, including credit quality guidelines, where applicable, maintain a total average quality minimum of BBB. The policy states that securities in the BBB rating category can make up no more than 25 percent of the portfolio. At June 30, 2020, the University had obligations of United States Government agencies and instrumentalities and equity securities with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1) AAA	AA	A	BBB
Obligations of United States Government Agencies and Instrumentalities	$ 4,490,438	$ 263,827	$ 4,062,273	$ 164,338	$ -
Corporate Equity Securities	4,722,073	-	739,844	2,562,044	1,420,185
Total investments by credit quality rating	$ 9,212,511	$ 263,827	$ 4,802,117	$ 2,726,382	$ 1,420,185

(1) The credit quality ratings are from Standard & Poor's and Moody's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of the investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial credit risk relates to investment securities that are held by someone other than the entity and are not registered in the entities name. All University investments are held in safekeeping by a third-party custodian. There were no losses during the period due to default by counterparties to investment transactions.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University policy states that a maximum of 5 percent of the funds be invested in securities of a single issuer, except that obligations of the United States Government agencies and instrumentalities are not subject to the limitations.

Component Unit Investments.

The University discretely presented component unit's investments at June 30, 2020 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)
Corporate Bonds	$ 658,946	$ 658,946	$ -	$ -
International Bonds	92,667	92,667	-	-
U.S. Government Bonds	536,000	536,000	-	-
Mutual Funds:				
Bonds	3,650,949	3,650,949	-	-
Equity	513,000	513,000	-	-
Total investments by fair value level	$ 5,451,562	$ 5,451,562	$ -	$ -

3. Receivables

Accounts, Interest, and Contracts and Grants Receivables. Accounts, interest, and contracts and grants receivable represent amounts for student tuition and fees, contracts and grants reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments. As of June 30, 2020, the University reported the following amounts as accounts, interest, and contracts and grants receivable:

Description	Amount
Student Tuition and Fees, Net	$ 322,556
Investment Interest	153,317
Contracts and Grants	211,359
Total Receivables, Net	$ 687,232

Allowance for Doubtful Receivables. Allowances for doubtful accounts is reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $43,585 at June 30, 2020.

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

4. Due From State

The amount due from State consists of $5,288,292 of Public Education Capital Outlay (PECO) due from the State to the University for construction of University facilities.

5. Due From Component Unit

The $116,308 amount due from component unit consists of amounts owed to the University by the Foundation for expense reimbursements.

6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 18,156,039	$ -	$ -	$ -	$ 18,156,039
Construction in Progress	1,211,449	-	10,701,937	-	11,913,386
Total Nondepreciable Capital Assets	$ 19,367,488	$ -	$ 10,701,937	$ -	$ 30,069,425
Depreciable Capital Assets:					
Buildings	$ 97,268,009	$ -	$ -	$ -	$ 97,268,009
Infrastructure and Other Improvements	41,035,547	(2,389,441)	-	-	38,646,106
Furniture and Equipment	8,338,555	-	217,658	12,870	8,543,343
Library Resources	16,358	-	-	-	16,358
Other Capital Assets	4,038,722	2,389,441	-	-	6,428,163
Total Depreciable Capital Assets	150,697,191	-	217,658	12,870	150,901,979
Less, Accumulated Depreciation:					
Buildings	9,952,660	-	2,136,560	-	12,089,220
Infrastructure and Other Improvements	8,270,328	(238,945)	1,606,743	-	9,638,126
Furniture and Equipment	4,552,282	-	1,279,660	8,171	5,823,771
Library Resources	15,930	-	152	-	16,082
Other Capital Assets	2,229,893	238,945	615,380	-	3,084,218
Total Accumulated Depreciation	25,021,093	-	5,638,495	8,171	30,651,417
Total Depreciable Capital Assets, Net	$ 125,676,098	$ -	$ (5,420,837)	$ 4,699	$ 120,250,562

(1) Adjustments were made to reclassify assets from Infrastructure and Other Improvements to Other Capital Assets.

7. Unearned Revenue

Unearned revenue at June 30, 2020, includes student tuition and fees received prior to fiscal year end related subsequent accounting periods. As of June 30, 2020, the University reported $678,942 as unearned revenue.

8. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2020, include installment purchases payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases Payable	$ 615,283	$ -	$ 366,285	$ 248,998	$ 205,774
Capital Leases Payable	53,916	22,177	19,406	56,687	19,056
Compensated Absences Payable	1,492,357	871,468	785,707	1,578,118	157,812
Other Postemployment Benefits Payable	4,221,000	6,340,287	1,679,411	8,881,876	114,859
Net Pension Liability	12,431,825	11,331,870	9,619,494	14,144,201	59,468
Total Long-Term Liabilities	$ 18,814,381	$ 18,565,802	$ 12,470,303	$ 24,909,880	$ 556,969

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at $1,306,311. The stated interest rates ranged from 1.21 to 4.75 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Amount
2021	$ 212,602
2022	45,704
Total Minimum Payments	258,306
Less, Amount Representing Interest	9,308
Present Value of Minimum Payments	$ 248,998

Capital Leases Payable. Vehicles in the amount of $97,260 are being acquired under capital lease agreements. The stated interest rates range from 5.45 to 6.70 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Amount
2021	$ 22,053
2022	22,053
2023	13,541
2024	5,028
Total Minimum Payments	62,675
Less, Amount Representing Interest	5,988
Present Value of Minimum Payments	$ 56,687

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, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $1,578,118. The current portion of the compensated absences liability, $157,812, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

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

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

Proportionate Share of the Total OPEB Liability

The University’s proportionate share of the total OPEB liability of $8,881,876 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University’s proportionate share, determined by its proportion of total benefit payments made, was 0.07 percent, which was an increase of 0.03 from its proportionate share measured as of June 30, 2018.

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

Inflation	2.6 percent
Salary increases	Varies by FRS class
Discount rate	2.79 percent
Healthcare cost trend rates	
PPO Plan	6.7 percent for 2020, decreasing to an ultimate rate of 5.4 percent for 2071 and later years
HMO Plan	5.2 percent for 2020, to an ultimate rate of 5.4 percent for 2071 and later years
Retirees’ share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Standard & Poor’s (S&P) Municipal 20-year High Grade Rate Index.

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

The demographic actuarial assumptions for retirement, withdrawal, disability, and salary merit scales used in the July 1, 2019 valuation are consistent with the assumptions used in the July 1, 2018 valuation of the FRS plan.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2019.
- The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. Due to the change in the benchmark used as well as the market environment changes between June 30, 2018 and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the period ending June 30, 2020.
- In addition, the liability was increased by approximately 12 percent due to the full impact of the Excise Tax that will come into effect in 2022. There is a reasonable chance that this tax will be repealed before it actually takes effect.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.
- The medical trend assumption each year is updated based on the Getzen Model. The medical trend rates used are consistent with the August 2019 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- The mortality rates were updated to those required by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumptions used in either of the two most recent valuations of the FRS. The rates are those outlined in Milliman's July 1, 2018 FRS valuation report. The impact of this change was very small and does not materially impact the results.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79 percent) or 1 percentage point higher (3.79 percent) than the current rate:

	1% Decrease (1.79%)	**Current Discount Rate (2.79%)**	**1% Increase (3.79%)**
University's proportionate share of the total OPEB liability	$11,684,697	$8,881,876	$6,818,070

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$6,468,404	$8,881,876	$12,420,954

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

For the fiscal year ended June 30, 2020, the University recognized OPEB expense of $2,559,640. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 228,670
Change of assumptions or other inputs	1,113,621	1,255,999
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	2,122,399	177,742
Transactions subsequent to the measurement date	117,627	-
Total	$ 3,353,647	$ 1,662,411

Of the total amount reported as deferred outflows of resources related to OPEB, $117,627 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 460,309
2022	460,309
2023	460,309
2024	460,309
2025	460,221
Thereafter	(727,848)
Total	$ 1,573,609

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the University's proportionate share of the net pension liabilities totaled $14,144,201. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 $4,161,902 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $968,383 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of $10,639,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.030893631 percent, which was an increase of 0.000685816 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $3,504,865. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 631,049	$ 6,603
Change of assumptions	2,732,639	-
Net difference between projected and actual earnings on FRS Plan investments	-	588,624
Changes in proportion and differences between University contributions and proportionate share of contributions	1,348,091	-
University FRS contributions subsequent to the measurement date	968,383	-
Total	$ 5,680,162	$ 595,227

The deferred outflows of resources totaling $968,383, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2021	$ 1,601,543
2022	648,577
2023	963,158
2024	676,196
2025	183,052
Thereafter	44,026
Total	$ 4,116,552

Actuarial Assumptions. The total pension liability in the July 1, 2019, 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	6.90 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
University's proportionate share of the net pension liability	$18,391,870	$10,639,336	$4,164,660

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, 2020, 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, 2020, 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 $177,244 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of $3,504,865 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.031324207 percent, which was a decrease of 0.000194432 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of $657,037. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 42,571	$ 4,292
Change of assumptions	405,830	286,459
Net difference between projected and actual earnings on HIS Plan investments	2,262	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,048,896	17,372
University HIS contributions subsequent to the measurement date	177,244	-
Total	$ 1,676,803	$ 308,123

The deferred outflows of resources totaling $177,244, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2021	$ 456,373
2022	359,553
2023	224,518
2024	91,014
2025	34,835
Thereafter	25,143
Total	$ 1,191,436

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.50 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
University's proportionate share of the net pension liability	$4,000,983	$3,504,865	$3,091,655

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.

10. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled $333,356 for the fiscal year ended June 30, 2020.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.71 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 $660,646, and employee contributions totaled $430,873 for the 2019-20 fiscal year.

11. Construction Commitments

The University's construction commitments at June 30, 2020, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Applied Research Center	$ 31,688,605	$ 11,602,126	$ 20,086,479
Reclaimed Water Project	929,995	311,260	618,735
Total	$ 32,618,600	$ 11,913,386	$ 20,705,214

12. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2019-20 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 $68.5 million for named windstorm and flood through February 14, 2020, and decreased to $62.75 million starting February 15, 2020. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

13. Litigation

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

14. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 9,423,525
Research	3,304,760
Public Services	145,424
Academic Support	10,330,316
Student Services	4,609,829
Institutional Support	12,731,210
Operation and Maintenance of Plant	6,828,813
Scholarships and Waivers	8,286,602
Depreciation	5,638,495
Auxiliary Enterprises	3,679,477
Total Operating Expenses	$ 64,978,451

15. Subsequent Events

The COVID-19 pandemic continues to impact learning and the modalities of teaching as well as how we run our institution with social distancing and safety concerns for our students, faculty and staff. The additional costs of keeping our institution sheltered will impact net revenues for the 2020-21 fiscal year and erode future years the longer the pandemic lingers.

To date, we have no positive indication we will receive the 6 percent hold back of funds the State is reserving for the 2020-21 fiscal year.

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

	2019	2018	2017
University's proportion of the total other postemployment benefits liability	0.07%	0.04%	0.04%
University's proportionate share of the total other postemployment benefits liability	$ 8,881,876	$ 4,221,000	$ 4,483,000
University's covered-employee payroll	$ 17,932,326	$ 16,978,875	$ 15,360,481
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	49.53%	24.86%	29.19%

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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)
University's proportion of the FRS net pension liability	0.030893631%	0.030207815%	0.028494244%	0.022832875%
University's proportionate share of the FRS net pension liability	$ 10,639,336	$ 9,095,857	$ 8,428,407	$ 5,765,319
University's covered payroll (2)	$ 17,932,326	$ 16,978,875	$ 15,360,481	$ 11,660,838
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	59.33%	53.57%	54.87%	49.44%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
Contractually required FRS contribution	$ 968,383	$ 957,925	$ 860,898	$ 741,775
FRS contributions in relation to the contractually required contribution	(968,383)	(957,925)	(860,898)	(741,775)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 18,132,610	$ 17,932,326	$ 16,978,875	$ 15,360,481
FRS contributions as a percentage of covered payroll	5.34%	5.34%	5.07%	4.83%

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

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

2015 (1)	**2014** (1)	**2013** (1)
0.019998331%	0.009648015%	0.000813120%
$ 2,583,054	$ 588,671	$ 139,974
$ 8,912,958	$ 4,212,980	$ 348,928
28.98%	13.97%	40.12%
92.00%	96.09%	88.54%

2016 (1)	**2015** (1)	**2014** (1)
$ 563,074	$ 487,576	$ 211,332
(563,074)	(487,576)	(211,332)
$ -	$ -	$ -
$ 11,660,838	$ 8,912,958	$ 4,212,980
4.83%	5.47%	5.02%

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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
University's proportion of the HIS net pension liability	0.031324207%	0.031518639%	0.030312239%	0.024197096%
University's proportionate share of the HIS net pension liability	$ 3,504,865	$ 3,335,968	$ 3,241,124	$ 2,820,072
University's covered payroll (2)	$ 10,262,946	$ 9,805,704	$ 9,232,755	$ 7,298,830
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.15%	34.02%	35.10%	38.64%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)
Contractually required HIS contribution	$ 177,244	$ 173,940	$ 170,926	$ 160,241
HIS contributions in relation to the contractually required HIS contribution	(177,244)	(173,940)	(170,926)	(160,241)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 10,317,930	$ 10,262,946	$ 9,805,704	$ 9,232,755
HIS contributions as a percentage of covered payroll	1.72%	1.69%	1.74%	1.74%

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

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

2015 (1)	**2014** (1)	**2013** (1)
0.018486835%	0.009545059%	0.000943115%
$ 1,885,366	$ 892,486	$ 82,111
$ 5,391,296	$ 2,508,042	$ 55,192
34.97%	35.58%	148.77%
0.50%	0.99%	1.78%

2016 (1)	**2015** (1)	**2014** (1)
$ 121,161	$ 70,668	$ 32,698
(121,161)	(70,668)	(32,698)
$ -	$ -	$ -
$ 7,298,830	$ 5,391,296	$ 2,508,042
1.66%	1.31%	1.30%

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

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

Changes of Assumptions. In 2020, amount reported as changes of assumptions resulted from changes to the census data, a change to the discount rate, the excise tax that will come into effect in 2022, the use of actual claims information, an update in the trend rate, and an update to the mortality rate.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with scale MP-2018.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.

Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 5, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2021