



FLORIDA STATE UNIVERSITY

ANNUAL REPORT
2018–2019







Florida State University

Annual Report 2018–2019

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MESSAGE FROM THE PRESIDENT

As I reflect on the past fiscal year, I can't help but be proud of Florida State University and all that we have accomplished. Whether you are a student getting ready for your first college class, a longtime faculty member preparing to share your knowledge with students, or an alumnus supporting the advancement of our great university, there has never been a better time to be a part of the Florida State family!

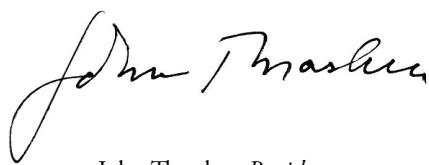
Over the past few years, we have set a goal to be recognized among the Top 25 public universities in the country. A culture of excellence is the reason why Florida State University is now recognized by *U.S. News & World Report* as the 18th best public university in the United States. Credit goes to our faculty, staff, and administrators from across campus who have been working for nearly five years to first develop a strategic plan that would serve as FSU's road map to the Top 25 followed by the implementation of measurable benchmarks to ensure the University moved in that direction.

We have made incredible progress by placing student success at the heart of our mission. Florida State's focus on student success has had the biggest impact on the University's upward trajectory in the rankings. FSU's four-year graduation rate is the best in Florida and among the Top 10 public universities in the nation, while our 93 percent freshman retention rate ranks among the nation's Top 20.

Already a national leader in student success, FSU is also expanding and adding programs that will enrich the student experience. Our new freshmen will be the first class required to participate in experiential learning before graduation. Experiences such as internships, service learning, undergraduate research, and international study can be transformational and improve academic performance and post-graduation outcomes. The University's study-abroad programs rank 11th in the nation as recognized by the Institute of International Education and are examples of the type of quality experiences FSU has to offer.

Graduate students are an essential part of a top research university, and graduate school enrollment at FSU is at an all-time high. Graduate education is a hallmark of any great research university, and we are strategically growing our graduate and postgraduate populations. FSU faculty researchers received nearly \$234 million in awards from federal, state, and private funding sources—a new University record. This record level of funding will support the University's research mission in areas such as health sciences, high energy physics and marine biology.

From academic and research excellence to entrepreneurship and innovation, from student success to diversity and inclusion—everything we have accomplished has further enhanced our reputation of excellence. I am looking forward to continuing to work with everyone and to reach even higher and achieve even more in 2020.



John Thrasher,
President
Florida State University



INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

I am pleased to present the 2018–19 Annual Financial Report for Florida State University. Looking back on the 2018–19 fiscal year, FSU can be proud of its many accomplishments. Some of the most notable achievements are summarized below.

Strategic Plan

The University continues to work toward the six goals identified in our strategic plan launched last year as a road map for the future. This strategic plan brings fresh momentum to our trajectory and offers an ambitious blueprint for capitalizing on our strengths. The future is Florida State.

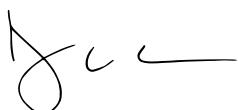
Operations

- Florida State University soared eight spots to No. 18 among national public universities in the latest *U.S. News & World Report* rankings, meeting and well exceeding its goal of joining the Top 25. This year's rise was the greatest single-year improvement in University history which was originally sparked by its designation as a preeminent university by the Florida Legislature in 2013.
- Florida State University received upgrades to its credit rating from both S&P Global and Fitch Ratings Incorporated as well as maintained its stable Aa2 credit rating affirmed by Moody's. S&P assigned the University its highest rating of AA+ making it the only university in the State of Florida, as well as only one of nine universities in the country, to receive such a rating. In addition, FSU was the only university in the State of Florida, and just the fourth public higher education institution in the country, to receive the highest rating of AA+ assigned by Fitch. These ratings not only underscore the University's continued improvement, financial strength, and sound financial management practices, but they will also allow the University to lower its cost of borrowing associated with future debt financings.

Facilities

- The campus of Florida State University is widely considered one of the most beautiful in the nation. This serves as a great source of pride for everyone who calls FSU home. The building architecture and surrounding landscape provide for a welcoming environment that makes FSU such a wonderful place to learn and work. Construction of several major projects, most notably the Earth, Ocean, and Atmospheric Science and Student Union buildings, was ongoing during the fiscal year.
- The University received prestigious awards related to two of its recently renovated facilities. The renovation to the Suwannee Dining Hall not only enhanced the amenities and appearance of the century-old facility, but it carefully preserved its essential character by safeguarding important historical features, such as its vaulted ceilings and elegantly carved Gothic arches. The renovation to the new entrepreneurship-focused Jim Moran Building transformed the 19th-century building in downtown Tallahassee near the state Capitol into a state-of-the-art home for entrepreneurial education.

As Florida State continues to execute its strategic plan in pursuit of its institutional mission in the coming year under the leadership of President Thrasher, the University is confident in the progress it has made in realizing and exceeding its goal of becoming a Top 25 public university. I look forward to continued success in 2020.



Kyle C. Clark, Vice President
Florida State University

UNIVERSITY OVERVIEW

About FSU

Florida State University is a premier, comprehensive, graduate research university offering a broad array of academic and professional programs at all degree levels. Located in Tallahassee, Florida's capital city, and founded in 1851, FSU is the oldest of the twelve public institutions of higher learning in the State University System. The University is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is officially designated as a preeminent research university in the state by the Florida Legislature.

Mission and Vision

Florida State University preserves, expands, and disseminates knowledge in the sciences, technology, arts, humanities, and professions, while embracing a philosophy of learning strongly rooted in the traditions of the liberal arts. The University is dedicated to excellence in teaching, research, creative endeavors, and service. The University strives to instill the strength, skill, and character essential for lifelong learning, personal responsibility, and sustained achievement within a community that fosters free inquiry and embraces diversity.

Florida State University will be among the nation's most entrepreneurial and innovative universities, transforming the lives of our students and shaping the future of our state and society through exceptional teaching, research, creative activity, and service. We will amplify these efforts through our distinctive climate—one that places a premium on interdisciplinary inquiry and draws from the rich intellectual and personal diversity of our students, faculty, staff, and alumni. These three forces—entrepreneurship, interdisciplinary, and diversity—deepen FSU's impact and result in a powerful return to our students and the people of Florida for their continued support and trust.





Academics

Florida State University offers leading undergraduate, graduate, and professional programs that consistently rank among the nation's top twenty-five public universities. Baccalaureate degrees are offered in 106 programs, master's degrees in 113 programs, advanced master's/specialist degrees in 14 programs, doctorates in 70 programs, and three professional degrees.

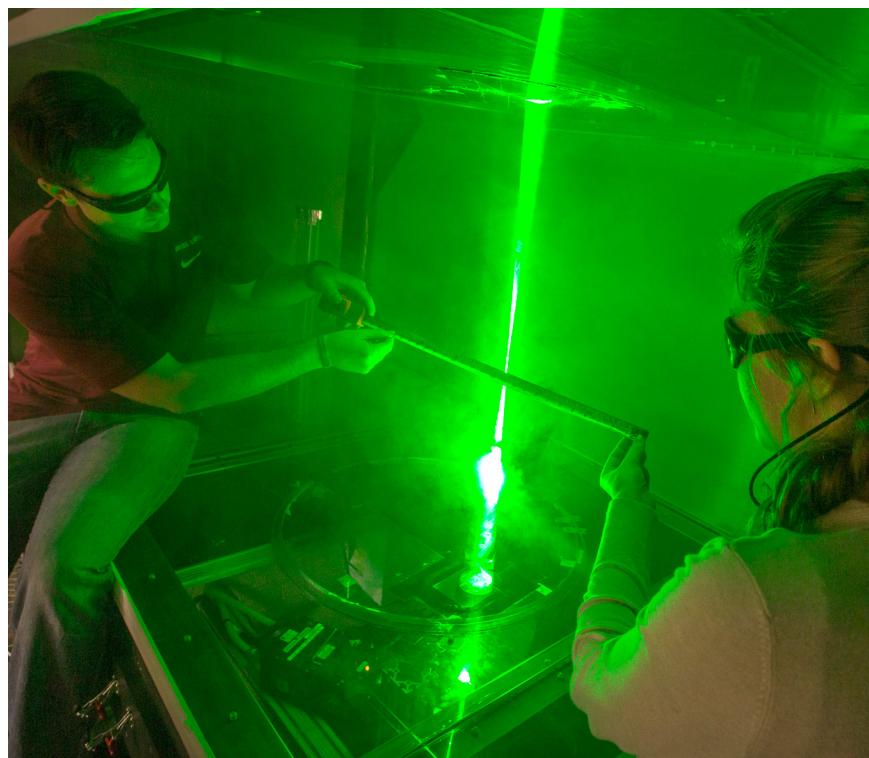
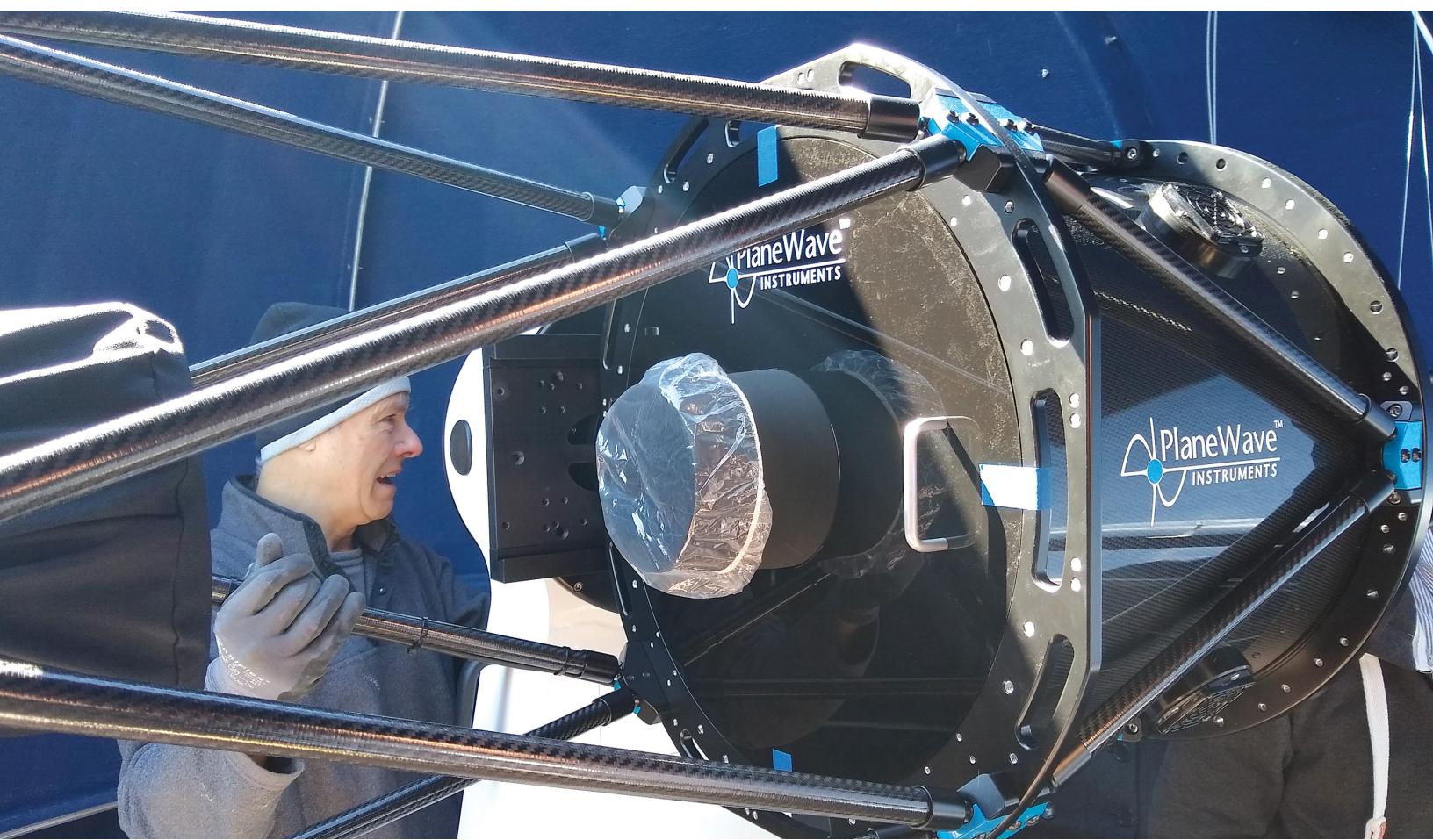
Students

Designated as a Carnegie Research University (designating very high research activity), Florida State awards more than 3,000 graduate and professional degrees each year, and is recognized as a national leader in the number of doctorates awarded to African-American students and in the graduation rate of African-American undergraduates.

During the Fall 2018 semester, there were 29 freshmen and 68 total undergraduate National Merit Scholars enrolled at Florida State University. The middle 50 percent high school GPA for the Fall 2018 freshman class was 4.0-4.4 and middle 50 percent SAT scores were 1260-1360.

With more than 41,000 students enrolled in Fall 2018, the student body was comprised of 78 percent undergraduates, 19 percent graduates, and 3 percent unclassified. Our student body is diverse and represents every county in Florida, all 50 states, and 130 countries. Minorities represent 34 percent, and women represent 57 percent of our students.

UNIVERSITY OVERVIEW



Faculty

At Florida State University, we are fortunate that our faculty comprises men and women who are widely acknowledged as the finest in their fields. They have distinguished themselves in many disciplines and have gained the high regard of peers around the world. Their academic careers are marked by excellence and the excitement of discovery so important to educating the next generation.

Our faculty members continually strive to build stronger programs in critical areas of technology and science and in the arts and humanities. The result is the expansion of knowledge as well as the discovery of new inventions, products, and processes benefiting the state of Florida, our nation, and the world.

Research

Research and creative activity is about discovery. It is about having an idea and finding the right environment in which to explore that idea. At FSU, we take great pride in our ability to provide supportive environments for the exploration of all types of ideas; and with approximately \$200 million in research expenditures each year, and more than 50 prominent research centers and institutes calling our campuses home, FSU continues to be one of the top idea-incubators in the nation.

Florida State University is also home to the National High Magnetic Field Laboratory (NHMFL), funded by the National Science Foundation. The only national lab in Florida, the NHMFL holds the most world records for the most powerful magnets on earth. Other research centers, such as the Center for Advanced Power Systems (CAPS), are supported by the U.S. Departments of Defense and Energy. The NHMFL and CAPS, among other labs, place Florida State University at the cutting edge of research and its application to industry.



UNIVERSITY OVERVIEW



Diversity

At Florida State University, we recognize that every competitive advantage begins with people. By valuing, celebrating, and leveraging the differences and similarities of our students, faculty, and staff, we inspire an environment of innovation and passion – one that enables us to create a teaching, research, and service environment that better reflects the needs of our students, faculty, staff, customers, constituents, communities, and other key stakeholders.

Veterans

The Florida State University Veterans Alliance represents the University's campus-wide commitment to veteran support and success. The Veterans Alliance encompasses FSU's initiatives that ease the transition from military service to campus life, foster a community of past, present, and future veterans, raise awareness of veterans issues among campus and local communities, and support student veterans through graduation and into rewarding careers and graduate-education programs. It is the goal of the Veterans Alliance that FSU be the most veteran-friendly and veteran-empowering university in the country.

Florida State University in 2018-19

FSU's rankings and achievements during fiscal year 2018-19 include:

- ◆ Florida State University soared eight spots to No. 18 among national public universities in the latest *U.S. News & World Report* rankings—the greatest single-year improvement in University history
- ◆ Florida State's four-year graduation rate of 72 percent ranks among the Top 10 public universities in the country and is No. 1 in Florida
- ◆ FSU was ranked by *Kiplinger's Personal Finance* as the 9th best value among public colleges and the 3rd best value for out-of-state students
- ◆ Florida State was recognized for a fourth consecutive year by *INSIGHT Into Diversity* magazine as a "Diversity Champion" in higher education
- ◆ Florida State is one of the nation's top research institutions for producing Fulbright U.S. Scholars and students with a record nine FSU faculty members, and ten students earning prestigious Fulbright awards
- ◆ Florida State University researchers received a record level of funding from Federal, State, and private sources, bringing in \$233.6 million to the University to support investigations into areas such as health sciences, high energy physics, and marine biology
- ◆ Florida State University's world-renowned Marching Chiefs were the only collegiate band to participate in France's official D-Day Normandy Parade, marking the 75th anniversary of the bold mission and honoring the brave soldiers who helped win World War II
- ◆ FSU's Women's soccer team won the College Cup and claimed its second NCAA National Championship title







AUDITOR GENERAL STATE OF FLORIDA



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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

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**, and **Schedule of University Contributions – Health Insurance Subsidy Pension Plan** 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, Introduction from the Vice President for Finance and Administration, and University Overview, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the President, Introduction from the Vice President for Finance and Administration, and University Overview have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of Florida State 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 State University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 15, 2020
Audit Report No. 2020-100

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2019, and June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, twelve component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. The component units' MD&A information is included in their separately issued audit reports.

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.

Condensed Statement of Net Position at June 30

(In Thousands)

	2019	2018
Assets		
Current Assets	\$ 800,832	\$ 792,009
Capital Assets, Net	2,030,994	1,976,455
Other Noncurrent Assets	186,186	146,580
Total Assets	3,018,012	2,915,044
Deferred Outflows of Resources	145,984	143,685
Liabilities		
Current Liabilities	211,954	214,161
Noncurrent Liabilities	793,245	795,897
Total Liabilities	1,005,199	1,010,058
Deferred Inflows of Resources	56,472	35,309
Net Position		
Net Investment in Capital Assets	1,793,176	1,722,909
Restricted	381,675	328,500
Unrestricted	(72,526)	(38,047)
Total Net Position	\$ 2,102,325	\$ 2,013,362

The University's total assets as of June 30, 2019, increased by \$103 million, or 3.5 percent. This increase was primarily related to an increase in construction in progress of \$51.7 million as a result of capital project expenditures made during the 2018-19 fiscal year, the largest of which were related to the Earth, Ocean, and Atmospheric Science Building (\$26.7 million) and the Student Union Expansion (\$19.9 million). Additionally, investments restricted for capital projects increased by \$39.6 million.

Total liabilities as of June 30, 2019, decreased by \$4.9 million, or less than one percent. On the other hand, deferred outflows and deferred inflows of resources increased by \$2.3 million and \$21.2 million, respectively, related to pensions and other postemployment benefits.

As a result, the University's overall net position increased by \$89 million, or 4.4 percent; however, the unrestricted net position remained in deficit at the fiscal year end. This deficit is discussed further in the notes to financial statements.

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.

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years (In Thousands)

	2018-19	2017-18
Operating Revenues	\$ 609,289	\$ 616,078
Less, Operating Expenses	(1,325,888)	(1,248,985)
Operating Loss	(716,599)	(632,907)
Net Nonoperating Revenues	751,372	634,410
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	34,773	1,503
Other Revenues, Expenses, Gains, or Losses	54,190	48,558
Net Increase in Net Position	88,963	50,061
Net Position, Beginning of Year	2,013,362	2,079,831
Adjustment to Beginning Net Position	-	(116,530)
Net Position, End of Year	\$ 2,102,325	\$ 2,013,362

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 give up or receive something of equal or similar value.

Operating Revenues (In Thousands)

	2018-19	2017-18
Net Tuition and Fees	\$ 216,991	\$ 230,122
Grants and Contracts	205,316	198,439
Sales and Services of Auxiliary Enterprises	179,846	183,237
Other	7,136	4,280
Total Operating Revenues	\$ 609,289	\$ 616,078

The University's total operating revenues were lower by \$6.8 million, or 1.1 percent, over the 2017-18 fiscal year. Net tuition and fees decreased by \$13.1 million due to an increase of \$20.4 million in scholarship allowances resulting from a significant increase in State student financial aid, specifically Bright Futures. The \$6.9 million increase in grants and contracts revenues resulted primarily from a \$7.9 million increase in Federal grants and contracts and a \$1 million decrease in nonfederal grants and contracts. Sales and services of auxiliary enterprises decreased by \$3.4 million but was mostly offset by an increase in other revenue of \$2.9 million primarily as a result of a contract revenue reclassification.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Operating Expenses

(In Thousands)

	2018-19	2017-18
Compensation and Employee Benefits	\$ 804,651	\$ 773,176
Services and Supplies	283,114	248,774
Utilities and Communications	35,083	36,702
Scholarships and Fellowships	117,664	105,217
Depreciation	85,376	85,116
Total Operating Expenses	\$ 1,325,888	\$ 1,248,985

Operating expenses increased by \$76.9 million, or 6.2 percent, over the 2017-18 fiscal year. Compensation and employee benefits were higher by \$31.5 million, mainly attributable to a combination of annual salary increases, a one-time bonus payment, and the continued onboarding of additional preeminent faculty. Services and supplies increased by \$34.3 million, largely as the result of an increase in support provided by the FSU Foundation of \$24 million. Scholarships and fellowships were higher by \$12.4 million, primarily due to an increase in State Bright Futures scholarships of \$27 million, which was partially offset by an increase in the scholarship allowance.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets.

Nonoperating Revenues (Expenses)

(In Thousands)

	2018-19	2017-18
State Noncapital Appropriations	\$ 498,951	\$ 464,446
Federal and State Student Financial Aid	156,883	125,973
Noncapital Grants, Contracts, and Gifts	80,703	49,989
Investment Income, Net of Expenses	17,954	12,519
Net Increase (Decrease) in the Fair Value of Investments	17,177	(3,341)
Other Nonoperating Revenues	1,549	5,409
Loss on Disposal of Capital Assets	(7,321)	(7,709)
Interest on Capital Asset-Related Debt	(10,377)	(8,216)
Other Nonoperating Expenses	(4,147)	(4,660)
Net Nonoperating Revenues	\$ 751,372	\$ 634,410

Net nonoperating revenues increased by \$117 million, or 18.4 percent, from the 2017-18 fiscal year. Increases in State noncapital appropriations along with Federal and State student financial aid, and noncapital grants, contracts, and gifts were the major contributors to the overall increase. State noncapital appropriations were higher by \$34.5 million as a result of increased general appropriations and performance funding, offset by a reduction in preeminence-based funding. Federal and State student financial aid increased by \$30.9 million primarily due to State Bright Futures scholarships, which were higher by \$27 million. Noncapital grants, contracts, and gifts increased by \$30.7 million mainly resulting from increased support provided by the FSU Foundation.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees.

Other Revenues, Expenses, Gains, or Losses (In Thousands)

	2018-19	2017-18
State Capital Appropriations	\$ 49,824	\$ 39,914
Capital Grants, Contracts, Donations, and Fees	4,366	8,644
Total	\$ 54,190	\$ 48,558

Capital appropriations, grants, contracts, donations, and fees increased by \$5.6 million, or 11.6 percent, mainly due to an increase in public education capital outlay and capital improvement fee funding, the largest portions of which were related to the construction of the Earth, Ocean, and Atmospheric Science Building and the Student Union Expansion, respectively. This increase was partially offset by a \$4.3 million decrease in capital assets donated to the University during the 2018-19 fiscal year.

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.

Condensed Statement of Cash Flows (In Thousands)

	2018-19	2017-18
Cash Provided (Used) by:		
Operating Activities	\$ (593,146)	\$ (518,355)
Noncapital Financing Activities	715,860	644,859
Capital and Related Financing Activities	(105,491)	(125,103)
Investing Activities	(20,993)	4,073
Net Increase (Decrease) in Cash and Cash Equivalents	(3,770)	5,474
Cash and Cash Equivalents, Beginning of Year	18,613	13,139
Cash and Cash Equivalents, End of Year	\$ 14,843	\$ 18,613

Major sources of funds came from State noncapital appropriations (\$497.8 million), net student tuition and fees (\$216.3 million), grants and contracts (\$203.6 million), sales and services of auxiliary enterprises (\$186.5 million), and Federal and State student financial aid (\$156.9 million). Major uses of funds were for payments made to and on behalf of employees (\$780.8 million), payments to suppliers (\$305.9 million), payments to and on behalf of students for scholarships (\$117.7 million), and the purchase or construction of capital assets (\$143.3 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At June 30, 2019, the University had \$3.2 billion in capital assets, less accumulated depreciation of \$1.2 billion, for net capital assets of \$2 billion. Depreciation charges for the current fiscal year totaled \$85.4 million.

Capital Assets, Net at June 30

(In Thousands)

	2019	2018
Land	\$ 94,818	\$ 94,649
Buildings	1,518,077	1,517,335
Infrastructure and Other Improvements	72,740	70,018
Furniture and Equipment	111,956	112,668
Library Resources	34,535	34,318
Property Under Capital Lease	5,330	5,785
Works of Art and Historical Treasures	75,325	75,196
Construction in Progress	118,213	66,486
Capital Assets, Net	\$ 2,030,994	\$ 1,976,455

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

Capital Expenses and Commitments

Major capital expenses on the University's largest ongoing projects include the Earth, Ocean, and Atmospheric Science Building and the expansion of the Student Union for \$26.7 million and \$19.9 million, respectively. The University's construction commitments are as follows:

Major Capital Commitments, at June 30

(In Thousands)

	2019
Total Committed	\$ 476,144
Completed to Date	(118,213)
Balance Committed	\$ 357,931

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

Debt Administration

As of June 30, 2019, the University had \$234.6 million in outstanding capital improvement debt payable, representing a decrease of \$15.2 million, or 6.1 percent, from the prior fiscal year. Capital leases payable increased by \$5.2 million, or 92 percent, for two new energy performance contracts entered into during the current fiscal year.

Long-Term Debt, at June 30

(In Thousands)

	2019	2018
Capital Improvement Debt Payable	\$ 234,629	\$ 249,786
Capital Leases Payable	10,908	5,681
Total	\$ 245,537	\$ 255,467

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As a public institution, the condition of the State of Florida's economy is the primary factor impacting the University's future. In July 2019, the Florida Economic Estimating Conference indicated that, overall, Florida growth rates show solid growth and continue to show progress, with most measures of the economy achieving new highs in 2018-19 and projected growth in Real Gross Domestic Product for the State of 2.5 percent in 2019-20.

The 2019-20 operating budget adopted by the Florida Legislature included total recurring General Revenue and Lottery funding for the University of \$435.7 million, which represented a slight decrease from the prior fiscal year of 1.5 percent. The University also received State Capital Appropriations of \$3.9 million for Student Union renovations. Overall enrollment growth at the University is expected to increase at a modest rate going forward, which in turn will limit the growth in student tuition and fees the University expects to assess in future years. Student tuition was unchanged for the sixth consecutive year, as the cost of higher education remains a concern of the State Legislature and Governor; however, the State has consistently demonstrated a willingness to aid the University's efforts to elevate FSU's reputation as a preeminent research institution. This shared commitment has resulted in Florida State University climbing eight spots to No. 18 among national public universities in the latest *U.S. News & World Report* rankings, meeting and well exceeding its goal of joining the Top 25.

In addition to State funding and tuition and fees, the University receives a large share of revenues from other sources such as grants and contracts and auxiliary operations. Research funding is expected to improve moderately as the University enters its second year of a five-year, \$184 million award renewal with the National Science Foundation for operating the National High Magnetic Field Laboratory.

For the second straight year, Moody's Investors Service's 2019 annual report on higher education kept in place a 'negative' outlook for the sector, citing weak growth in net tuition revenue and projected expense growth in excess of projected revenue growth as the primary drivers. Despite these headwinds in higher education nationwide, the University has received upgrades from two of its three credit rating agencies. Both S&P Global and Fitch Ratings Incorporated assigned the University its highest rating of AA+ while Moody's has maintained its stable Aa2 credit rating. These ratings not only reflect a continued improvement in the University's financial strength, but they also translate into lower interest costs associated with future debt financings.

As FSU continues its ascent in the national rankings, continues to receive steady and significant support from the State Legislature, and maintains its consistent profile as one of the most efficient institutions in utilizing its resources, the economic outlook for the University remains very positive.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller's Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306.

STATEMENT OF NET POSITION

AS OF JUNE 30, 2019 (in thousands)

	<u>UNIVERSITY</u>	<u>COMPONENT UNITS</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,554	\$ 34,700
Investments	618,422	177,013
Accounts Receivable, Net	52,595	17,102
Loans and Notes Receivable, Net	809	-
Due from State	83,981	264
Due from Component Units/University	15,082	35,546
Inventories	2,525	171
Other Current Assets	16,864	15,250
Total Current Assets	800,832	280,046
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,289	27,311
Restricted Investments	171,983	673,281
Loans and Notes Receivable, Net	5,729	38,386
Depreciable Capital Assets, Net	1,742,638	252,129
Nondepreciable Capital Assets	288,356	23,045
Other Noncurrent Assets	4,185	168,381
Total Noncurrent Assets	2,217,180	1,182,533
TOTAL ASSETS	3,018,012	1,462,579
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	140,821	-
Related to Other Postemployment Benefits	5,163	-
Loss on Debt Refunding	-	1,803
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 17,937	\$ 12,017
Construction Contracts Payable	15,916	-
Salaries and Wages Payable	30,169	-
Deposits Payable	9,859	15
Due to Component Units/University	36,704	21,935
Unearned Revenue	64,286	23,731
Other Current Liabilities	1,176	4,155
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	15,781	-
Bonds Payable	-	6,315
Loans and Notes Payable	-	15,682
Capital Leases Payable	1,093	-
Compensated Absences Payable	5,122	-
Other Postemployment Benefits Payable	5,098	-
Revenue Received in Advance	3,823	23,538
Net Pension Liability	1,791	-
Other Noncurrent Liabilities	3,199	-
Total Current Liabilities	211,954	107,388

STATEMENT OF NET POSITION

AS OF JUNE 30, 2019 (in thousands)

	UNIVERSITY	COMPONENT UNITS
Noncurrent Liabilities:		
Capital Improvement Debt Payable	218,848	-
Bonds Payable	-	151,945
Loans and Notes Payable	-	39,477
Capital Leases Payable	9,815	-
Accrued Self-Insurance Claims	438	-
Compensated Absences Payable	73,797	318
Other Postemployment Benefits Payable	169,003	-
Revenue Received in Advance	21,600	17,881
Net Pension Liability	291,880	-
Other Noncurrent Liabilities	7,864	17,606
Total Noncurrent Liabilities	793,245	227,227
TOTAL LIABILITIES	1,005,199	334,615
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	26,595	-
Related to Other Postemployment Benefits	29,877	-
Split-Interest Agreements for Remainder Interests	-	3,298
Trusts Held by Others	-	9,949
NET POSITION		
Net Investment in Capital Assets	\$ 1,793,176	\$ 72,223
Restricted for Nonexpendable, Endowment	-	491,418
Restricted for Expendable:		
Debt Service	3,217	6,846
Loans	3,732	-
Capital Projects	159,707	67,339
Other	215,019	8,862
Endowment	-	275,549
Unrestricted	(72,526)	194,283
TOTAL NET POSITION	\$ 2,102,325	\$ 1,116,520

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (in thousands)

	UNIVERSITY	COMPONENT UNITS
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of \$181,230	\$ 216,991	\$ -
Federal Grants and Contracts	168,002	-
State and Local Grants and Contracts	22,674	-
Nongovernmental Grants and Contracts	14,640	-
Sales and Services of Auxiliary Enterprises	179,846	-
Sales and Services of Component Units	- 34,871	34,871
Royalties and Licensing Fees	- 14,486	14,486
Gifts and Donations	- 90,959	90,959
Interest on Loans and Notes Receivable	262	-
Other Operating Revenues	6,874	23,399
Total Operating Revenues	609,289	163,715
OPERATING EXPENSES		
Compensation and Employee Benefits	804,651	31,759
Services and Supplies	283,114	142,060
Utilities and Communications	35,083	244
Scholarships and Fellowships	117,664	-
Depreciation	85,376	11,344
Total Operating Expenses	1,325,888	185,407
OPERATING LOSS	(716,599)	(21,692)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	498,951	-
Federal and State Student Financial Aid	156,883	-
Noncapital Grants, Contracts, and Gifts	80,703	-
Investment Income, Net of Expenses	17,954	21,681
Net Increase (Decrease) in the Fair Value of Investments	17,177	11,621
Other Nonoperating Revenues	1,549	5,679
Gain (Loss) on Disposal of Capital Assets	(7,321)	3,344
Interest on Capital Asset-Related Debt	(10,377)	(7,604)
Other Nonoperating Expenses	(4,147)	(8,665)
NET NONOPERATING REVENUES	751,372	26,056
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	34,773	4,364
State Capital Appropriations	49,824	-
Capital Grants, Contracts, Donations, and Fees	4,366	35,528
Additions to Permanent Endowments	-	14,533
Increase in Net Position	88,963	54,425
Net Position, Beginning of Year	2,013,362	1,086,192
Adjustments to Net Position, Beginning of Year	-	(24,097)
Net Position, Beginning of Year (As Restated)	2,013,362	1,062,095
NET POSITION, END OF YEAR	\$ 2,102,325	\$ 1,116,520

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

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (in thousands)

	UNIVERSITY
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 216,261
Grants and Contracts	203,648
Sales and Services of Auxiliary Enterprises	186,453
Interest on Loans and Notes Receivable	262
Other Operating Receipts	2,867
Payments to Employees	(780,800)
Payments to Suppliers for Goods and Services	(305,938)
Payments to Students for Scholarships and Fellowships	(117,664)
Payments on Self-Insurance Claims	(78)
Loans Issued to Students	(7)
Collections on Loans to Students	1,850
Net Cash Used by Operating Activities	(593,146)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	497,824
Noncapital Grants, Contracts, and Gifts	69,606
Federal and State Student Financial Aid	156,883
Federal Direct Loan Program Receipts	161,486
Federal Direct Loan Program Disbursements	(161,570)
Net Change in Funds Held for Others	(3,587)
Other Nonoperating Receipts	1,493
Other Nonoperating Disbursements	(6,275)
Net Cash Provided by Noncapital Financing Activities	715,860
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	5,931
State Capital Appropriations	45,956
Capital Grants, Contracts, Donations, and Fees	2,978
Capital Subsidies and Transfers	8,081
Purchase or Construction of Capital Assets	(143,322)
Principal Paid on Capital Debt	(14,738)
Interest Paid on Capital Debt	(10,377)
Net Cash Used by Capital and Related Financing Activities	(105,491)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	972,859
Purchase of Investments	(1,010,821)
Investment Income	16,969
Net Cash Used by Investing Activities	(20,993)
Net Decrease in Cash and Cash Equivalents	(3,770)
Cash and Cash Equivalents, Beginning of Year	18,613
Cash and Cash Equivalents, End of Year	\$ 14,843
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (716,599)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	85,376
Change in Assets and Liabilities:	
Other Receivables, net	4,767
Inventories	(301)
Loans and Notes Receivable, net	2,123
Deferred Charges and Other Assets	8,151
Accounts Payable	3,340
Salaries and Wages Payable	(3,140)
Accrued Insurance Claims	(78)
Deposits Payable	(11)
Compensated Absences Payable	3,361
Other Postemployment Benefits Payable	(4,285)
Unearned Revenue	(4,553)
Pension Liability	11,337
Pension Deferred Outflows	(2,315)
Pension Deferred Inflows	13,199
Other Postemployment Benefits Deferred Outflows	16
Other Postemployment Benefits Deferred Inflows	7,965
Other Liabilities	(1,499)
NET CASH USED BY OPERATING ACTIVITIES	\$ (593,146)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING 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.	\$ 17,177
Losses from the write off of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (7,321)

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 thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five 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. The Trustees select the University President. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering policies prescribed by the Trustees.

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

Discretely Presented Component Units

Based on the application of the criteria for determining component units, the following organizations met all of the financial accountability criteria necessary for inclusion as discretely presented component units and therefore are included within the University reporting entity, or are included based on the nature and significance of their relationship with the University.

These organizations and their purposes are explained as follows:

- ◆ **The Florida State University Foundation, Inc. (Foundation)** - The University's fundraising and private support programs are accounted for and reported separately by the Foundation. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The Foundation expenses include scholarship distributions to students and departmental faculty, staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- ◆ **Seminole Boosters, Inc. (Boosters)** - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.
- ◆ **The Florida State University Research Foundation, Inc. (Research Foundation)** - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products.
- ◆ **Florida State University International Programs Association, Inc. (International Programs Association)** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- ◆ **Florida State University Schools, Inc. (School)** - The School is a charter school established pursuant to Section 1002.33(5)(a), Florida Statutes. The School provides a setting where University faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and development of commercial or prototype materials and techniques adaptable to other Florida public schools and is supported by School and University researchers or private sector partners.
- ◆ **Florida State University Alumni Association, Inc. (Alumni Association)** - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.
- ◆ **The John and Mable Ringling Museum of Art Foundation, Inc. (Ringling Museum Foundation)** - The Ringling Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art.
- ◆ **Florida Medical Practice Plan, Inc. (FMPP)** - FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine.

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- ◆ **Florida State University Magnet Research and Development, Inc. (Magnet Research and Development)** - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.
 - ◆ **The Florida State University Real Estate Foundation, Inc. (Real Estate Foundation)** - The Real Estate Foundation was established to receive, hold, manage, lease, develop, or sell real estate, and to make expenditures, grants, and contributions to or for the benefit of the University.
 - ◆ **The Florida State University College of Business Student Investment Fund, Inc. (Student Investment Fund)** - The Student Investment Fund was established to support a student managed investment fund and other FSU College of Business programs.
 - ◆ **Florida State University Athletics Association, Inc. (Athletics Association)** - The Athletics Association was established to provide supplemental contracts for athletic staff.

An annual audit of each operational organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the University's discretely presented component units are disclosed in a subsequent note.

Basis of Presentation

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

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

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. The statement of revenues, expenses, and changes in net position is presented by major sources of operating revenues, natural classifications of operating expenses, nonoperating revenues and expenses, and all other activity not otherwise classified. 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*.

Measurement Focus and Basis of Accounting

The University's financial statements are presented using the economic resources measurement focus, which aims to report all inflows, outflows, and balances affecting or reflecting an entity's net position, and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University's discretely presented component units' financial statements are also presented using the economic resources measurement focus and the accrual basis of 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 depositary insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Investments and Fair Value Measurement

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.

Other Current Assets

Other Current Assets are primarily made up of prepaid items, which represent payments for goods and services that will benefit future periods.

Capital Assets

University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property, \$50,000 for new buildings, \$100,000 for building improvements, and \$4,000,000 for intangible assets.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

- ◆ Buildings, Infrastructure and Other Improvements – 10 to 50 years
- ◆ Furniture and Equipment – 3 to 20 years
- ◆ Library Resources - 10 years
- ◆ Computer Software – 5 years

Noncurrent Liabilities

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

Compensated Absences

Employees earn vacation and sick leave each pay period and can carryforward unused balances up to certain amounts each calendar year. The University calculates the compensated absences liability based on recorded balances of unused leave as of the end of the fiscal year for which the University expects to compensate employees through paid time off or cash payments at termination. Upon termination of employment, employees are entitled to be paid for any accumulated unused leave up to the maximum allowable amounts.

Pensions

For the 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 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.

Other Postemployment Benefits

For the purposes of measuring the net postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to postemployment benefits, and benefit expense, information about the fiduciary net positions of the Florida Division of State Group Insurance Other Postemployment Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan fiduciary net positions have been determined on the same basis as they are reported by the OPEB Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position

The University's components of net position are classified as follows:

Net Investment in Capital Assets - Represents the University's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets.

Nonexpendable Restricted Net Position – Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose

of producing present and future income, which may be expendable or added to principal. All endowment and similar type funds are held by the University's component units.

Expendable Restricted Net Position – Includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Represents resources derived from student tuition and fees, State appropriations, and the sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available to fund certain programs, generally it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

Operating Revenues and Expenses

The University's principal operating activities consist of instruction, research, and public service. Operating revenues include activities that have characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises; and Federal, State, local and nongovernmental grants and contracts.

Operating expenses include scholarships and fellowships for students, operation and maintenance of capital assets, depreciation on capital assets, and all other fiscal transactions directly related to the University's principal operating activities as well as those related to the academic and general administration of the University.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenue from students, are reported net of scholarship discounts and allowances, which are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, such as the Florida Bright Futures Program, are recorded as nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

The University applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net scholarship discounts and 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.

Nonoperating Revenues and Expenses

Nonoperating revenues include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. Nonoperating revenues include State noncapital appropriations; Federal and State student financial aid; Noncapital grants, contracts, and gifts; and investment income. Nonoperating expenses include interest on capital asset-related debt and losses on the disposal of capital assets.

2. REPORTING CHANGES

The University implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which requires the University to disclose additional information related to debt obligations, including direct borrowings and direct placements.

Effective July 1, 2018, the Foundation, Real Estate Foundation, Ringling Museum Foundation, and Student Investment Fund, which had previously reported under the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations, transitioned to GASB standards of accounting and financial reporting as required by Chapter 2018-004, Laws of Florida.

3. ADJUSTMENT TO BEGINNING NET POSITION

The beginning net position of the Foundation was decreased by \$24,097,136 as a result of the change in the financial accounting framework as discussed in Note 2. The adjustment to beginning net position includes \$9,608,383 for the removal of endowment pledges and \$14,488,753 for the removal of deferral of inflows related to split interest arrangements decreasing the beginning net position as of July 1, 2018 to \$690,436,470.

NOTES TO FINANCIAL STATEMENTS

4. DEFICIT NET POSITION

The University had a deficit unrestricted net position of \$72.5 million at June 30, 2019. As shown in the following schedule, this deficit can be attributed primarily to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the unrestricted fund.

Description	Amount
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 384,653,242
Amount Expected to be Financed in Future Years:	
Compensated Absences Payable	78,918,666
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	198,815,000
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>179,445,427</u>
Total Amount Expected to be Financed in Future Years	(457,179,093)
Total Unrestricted Net Position	<u>\$ (72,525,851)</u>

5. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has 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; 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's 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's investments at June 30, 2019, are reported as follows:

Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 771,923,269	\$ -	\$ -	\$ 771,923,269
State Board of Administration Debt Service Accounts	3,653,227	3,653,227	-	-
Mutual Funds:				
Bonds	6,289,480	6,289,480	-	-
Equities	2,794,237	2,794,237	-	-
Other Investments	5,744,917	-	-	5,744,917
Total Investments by Fair Value Level	\$ 790,405,130	\$ 12,736,944	\$ -	\$ 777,668,186

Investments held by the University's component units at June 30, 2019, are reported as follows:

Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
Domestic Stocks	\$ 23,119,416	\$ 23,119,416	\$ -	\$ -
International Stocks	417,692	417,692	-	-
Mutual Funds	153,331,502	153,331,502	-	-
Real Estate Investments	75,000	-	-	75,000
Other Investments	30,455,996	9,492,778	-	20,963,218
Total Investments by Fair Value Level	\$ 207,399,606	\$ 186,361,388	\$ -	\$ 21,038,218
Investments Measured at the Net Asset Value (NAV)				
Domestic Bonds and Notes	52,815,742			
Domestic Stocks	118,455,804			
International Stocks	187,932,925			
Real Estate Investments	15,267,794			
Hedge Funds	100,759,549			
Private Equity Funds	77,572,953			
Private Real Estate Funds	33,055,596			
Total Investments Measured at NAV	585,860,363			
Other				
SBA Florida PRIME	55,890,160			
Other Investments	1,143,737			
Total Other Investments	57,033,897			
Total Investments	\$ 850,293,866			

The University's component units' investments measured at the net asset value (NAV), as of June 30, 2019, totaled \$585,860,363 as follows:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Bonds and Notes	\$ 52,815,742	\$ -	Daily	2 days
Domestic Stocks	118,455,804	-	Daily to semi-annually	2 - 60 days
International Stocks	187,932,925	-	Daily to semi-annually	2 - 60 days
Real Estate Investments	15,267,794	-	Daily	2 days
Hedge Funds	100,759,549	-	Monthly to every 3 years	10 - 90 days
Private Equity Funds	77,572,953	83,636,241		
Private Real Estate Funds	33,055,596	24,914,108		
Total Investments Measured at NAV	\$ 585,860,363	\$ 108,550,349		

Investments measured at net asset value are comprised of the following categories:

- ◆ Domestic Bonds and Notes – domestic fixed income institutional pooled funds.
- ◆ Domestic Stocks – equity interests in domestic institutional pooled funds.
- ◆ International Stocks – equity interests in global and emerging market institutional pooled funds.
- ◆ Real Estate – equity interests in global real estate institutional pooled funds, and a real estate limited partnership.
- ◆ Hedge Funds – interests in offshore funds that invest both long and short in domestic and international equities as well as absolute return strategy interests in offshore funds that are designed to produce results that are largely independent of, or have low correlation to, the broader markets.
- ◆ Private Equity – interests in several limited partnership funds that invest in private equity, venture capital, and distressed assets.
- ◆ Private Real Estate - interests in several limited partnership funds that invest in real estate and natural resources.

External Investment Pools

The University reported investments at fair value totaling \$771,923,269 at June 30, 2019, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years, and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the Treasury 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 participants' 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.

The Research Foundation reported investments at fair value totaling \$55,890,160 at June 30, 2019, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2019, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted average days to maturity (WAM) of 28 days as of June 30, 2019. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$3,653,227 at June 30, 2019, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, mutual funds, and real estate funds. The following are required risk disclosures applicable to investments of the University as well as its discretely presented component units.

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 has investments in bond mutual funds that are subject to interest rate risk. Additionally, investments of the University's discretely presented component units in debt securities, bonds and notes, and bond mutual funds are also subject to interest rate risk. These investments and their future maturities at June 30, 2019, are as follows:

	Investment Maturities (in years)				
	Fair Value	Less Than 1	1-10	Greater Than 10	
University	\$ 6,289,480	\$ 5,010,884	\$ 1,278,596		\$ -
Discretely Presented Component Units	\$ 133,153,482	\$ 2,158,807	\$ 125,971,133		\$ 5,023,542

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. The University and the University's discretely presented component units held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies at June 30, 2019, as follows:

	Fair Value	United States Government	AAA	AA/Aa	A/Ba	Less Than A/Ba or Not Rated
University	\$ 6,289,480	\$ -	\$ 5,010,884	\$ 1,278,596	\$ -	\$ -
Discretely Presented Component Units	\$ 133,153,482	\$ 3,218,716	\$ 57,722,625	\$ 14,196,653	\$ 49,321,772	\$ 8,693,716

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. Neither the University nor its discretely presented component units have identified any investments falling into this category as of June 30, 2019.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The University's discretely presented component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the discretely presented component units.

6. RECEIVABLES

Accounts Receivable

Accounts receivable represent amounts for student tuition and fees, grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable.

As of June 30, 2019, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 16,782,917
Grants and Contracts	19,204,785
Sales and Services of Auxiliary Enterprises	15,645,093
Interest	2,124,951
Other	1,201,816
Total Accounts Receivable	\$ 54,959,562

Loans and Notes Receivable

Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. Loans and notes receivable totaled \$9,023,264 at June 30, 2019.

Allowance for Doubtful Receivables

Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$2,364,267 and \$2,485,267, respectively, at June 30, 2019. No allowance has been accrued for grants and contracts receivable as University management considers these to be fully collectible.

7. DUE FROM STATE

This amount consists of \$30,541,303 of Public Education Capital Outlay, \$44,904,375 of General Revenue, \$1,127,286 of State Student Financial Aid, and \$7,407,784 of Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of facilities.

8. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2019. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the University.

NOTES TO FINANCIAL STATEMENTS

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 94,648,780	\$ 169,219	\$ -	\$ 94,817,999
Works of Art and Historical Treasures	75,196,401	129,887	1,298	75,324,990
Construction in Progress	66,486,005	126,449,858	74,722,822	118,213,041
Total Nondepreciable Capital Assets	\$ 236,331,186	\$ 126,748,964	\$ 74,724,120	\$ 288,356,030
Depreciable Capital Assets:				
Buildings	\$ 2,113,698,896	\$ 58,405,139	\$ 14,499,799	\$ 2,157,604,236
Infrastructure and Other Improvements	146,243,664	6,587,869	-	152,831,533
Furniture and Equipment	357,527,997	23,897,359	12,809,353	368,616,003
Library Resources	157,215,692	7,742,892	1,168,826	163,789,758
Property Under Capital Lease	5,923,955	17,300	530,077	5,411,178
Computer Software	49,174,492	15,100	15,100	49,174,492
Total Depreciable Capital Assets	2,829,784,696	96,655,659	29,023,155	2,897,427,200
Less, Accumulated Depreciation:				
Buildings	596,363,962	50,634,129	7,470,602	639,527,489
Infrastructure and Other Improvements	76,225,952	3,864,721	-	80,090,673
Furniture and Equipment	245,262,695	22,573,229	11,175,785	256,660,139
Library Resources	122,897,635	7,526,163	1,168,826	129,254,972
Property Under Capital Lease	138,876	375,083	432,520	81,439
Computer Software	48,771,709	403,035	252	49,174,492
Total Accumulated Depreciation	1,089,660,829	85,376,360	20,247,985	1,154,789,204
Total Depreciable Capital Assets, Net	\$ 1,740,123,867	\$ 11,289,299	\$ 8,775,170	\$ 1,742,637,996

10. UNEARNED REVENUE

Unearned revenue includes capital appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2019, to spend the funds, as well as grants and contracts, and auxiliary sales and services received prior to fiscal year end related to the subsequent accounting period.

As of June 30, 2019, the University reported the following amounts as unearned revenue:

Description	Amount
State Capital Appropriations	\$ 49,346,865
Grants and Contracts	1,554,449
Sales and Services of Auxiliary Enterprises	13,384,224
Total Unearned Revenue	\$ 64,285,538

11. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, capital leases payable, accrued self-insurance claims, compensated absences payable, other postemployment benefits payable, revenue received in advance, net pension liability, and other noncurrent liabilities.

Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 249,786,229	\$ -	\$ 15,156,473	\$ 234,629,756	\$ 15,781,473
Capital Leases Payable	5,680,627	5,931,423	703,692	10,908,358	1,093,621
Accrued Self-Insurance Claims	516,411	68,896	147,154	438,153	-
Compensated Absences Payable	75,534,165	8,245,520	4,861,019	78,918,666	5,121,584
Other Postemployment Benefits Payable	178,386,000	30,690,000	34,975,000	174,101,000	5,098,000
Revenue Received in Advance	23,610,155	4,446,706	2,633,536	25,423,325	3,823,582
Net Pension Liability	282,333,523	163,501,681	152,164,436	293,670,768	1,790,785
Other Noncurrent Liabilities	12,197,946	359,158	1,494,389	11,062,715	3,198,925
Total Long-Term Liabilities	\$ 828,045,056	\$ 213,243,384	\$ 212,135,699	\$ 829,152,741	\$ 35,907,970

Capital Improvement Debt Payable

The University had the following capital improvement debt payable outstanding at June 30, 2019:

Capital Improvement Debt Type and Series	Amount of Original Issue	Principal Amount Outstanding	Unamortized Amount Outstanding (1)	Net Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Debt:						
2010A Housing	\$ 18,910,000	\$ 15,325,000	\$ (101,694)	\$ 15,223,306	3.25 - 4.75	2040
2011A Housing	27,745,000	19,285,000	(246,999)	19,038,001	3.0 - 4.125	2031
2013A Housing	42,495,000	35,905,000	2,106,541	38,011,541	4.0 - 5.0	2033
2014A Housing	46,085,000	36,040,000	5,268,535	41,308,535	3.25 - 5.0	2031
2015A Housing	59,575,000	54,465,000	4,336,599	58,801,599	3.0 - 5.0	2035
Total Student Housing Debt	194,810,000	161,020,000	11,362,982	172,382,982		
2011A Parking	22,145,000	12,575,000	(46,088)	12,528,912	4.0 - 5.25	2031
2014A Parking	13,485,000	7,675,000	1,283,234	8,958,234	5.0	2025
2017A Parking	7,857,000	6,242,000	(50,682)	6,191,318	2.12	2026
Total Student Parking Debt	43,487,000	26,492,000	1,186,464	27,678,464		
2005A Dining	10,000,000	4,145,000	-	4,145,000	2.29	2025
2010A Wellness Center	31,320,000	20,445,000	683,486	21,128,486	4.0 - 5.0	2030
Total Auxiliary Debt	279,617,000	212,102,000	13,232,932	225,334,932		
2012 Research Foundation Revenue Debt	11,920,000	8,505,000	789,824	9,294,824	3.0 - 4.0	2031
Total Capital Improvement Debt	\$ 291,537,000	\$ 220,607,000	\$ 14,022,756	\$ 234,629,756		

(1) Unamortized amounts include bond discounts, premiums, and/or gains/losses on bond refundings.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$279.6 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable

NOTES TO FINANCIAL STATEMENTS

through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$284.1 million and principal and interest paid for the current year totaled \$23.1 million.

Revenue Pledged	Amount
Housing Rental Income	\$47,973,616
Traffic, Parking and Transportation Fees	11,984,321
Food Service Revenues	3,630,009
Student Health Fees	14,901,456

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

Fiscal Year Ending June 30	General		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2020	\$ 13,170,000	\$ 9,157,006	\$ 1,446,000	\$ 228,833	\$ 24,001,839
2021	13,745,000	8,568,081	1,496,000	196,683	24,005,764
2022	14,390,000	7,934,413	1,544,000	163,676	24,032,089
2023	14,290,000	7,265,619	1,595,000	129,591	23,280,210
2024	13,460,000	6,592,107	1,649,000	94,451	21,795,558
2025-2029	71,490,000	23,401,106	2,657,000	78,021	97,626,127
2030-2034	57,595,000	8,889,319	-	-	66,484,319
2035-2039	10,980,000	1,181,894	-	-	12,161,894
2040-2044	1,100,000	52,250	-	-	1,152,250
Subtotal	210,220,000	73,041,795	10,387,000	891,255	294,540,050
Plus: Unamortized Premiums and (Discounts), Net	14,073,618	-	(50,862)	-	14,022,756
Total	\$ 224,293,618	\$ 73,041,795	\$ 10,336,138	\$ 891,255	\$ 308,562,806

Direct placements are defined by GASB as debt obligations that have terms negotiated directly with an investor and are not offered for public sale. The 2005A Dining and 2017A Parking issues are the only direct placements of the University's capital improvement debt payable. All the remaining issues were offered for public sale.

Capital Leases Payable

The University has capital leases payable related to direct borrowing agreements entered into for energy equipment totaling \$10,908,358 with stated interest rates ranging from 1.8 to 3.295 percent. Direct borrowings are defined by GASB as debt obligations that have terms negotiated directly with a lender and are not offered for public sale.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 1,360,272
2021	1,360,272
2022	1,360,272
2023	1,360,272
2024	1,360,272
2025-2029	<u>5,478,246</u>
Total Minimum Payments	12,279,606
Less, Amount Representing Interest	1,371,248
Present Value of Minimum Payments	\$ 10,908,358

Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations

fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$78,918,666. The current portion of the compensated absences liability, \$5,121,584, 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

As a participating employer in the State Employees' Group Health Insurance Plan, the University recognizes its proportionate share of the collective other postemployment benefits liability of the multiple-employer defined benefit health plan. As of June 30, 2019, the University's proportionate share of the total OPEB liability totaled \$174,101,000.

Revenue Received in Advance

Long-term revenue received in advance represents funds received but not yet earned under the terms and conditions of auxiliary services contracts. Total long-term revenue received in advance at June 30, 2019, amounted to \$25,423,325, with \$3,823,582 expected to be earned during the 2019-20 fiscal year.

Net Pension Liability

As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2019, the University's proportionate share of the net pension liabilities totaled \$293,670,768.

Other Noncurrent Liabilities

Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or if the University has excess cash in the loan program.

12. OTHER POSTEMPLOYMENT BENEFITS

General Information about Other Postemployment Benefits

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 Florida Department of Management Services, Division of State Group Insurance.

Other Postemployment Benefits Plan

Plan Description – The State Employees' Group Health Insurance Plan for other postemployment benefits is a multiple-employer defined benefit health plan (OPEB Plan). Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the OPEB Plan. 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 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 \$174.1 million was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, and update procedures were used to determine liabilities as of July 1, 2018. At June 30, 2019, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.65 percent, which was equal to its proportionate share measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

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 2.60 percent
- ◆ Salary Increases Varies by FRS class
- ◆ Discount Rate 3.87 percent

Healthcare cost trend rates for the Preferred Provider Option (PPO) Plan and Health Maintenance Organization (HMO) Plan, respectively, are 8.8 and 6.2 percent for the 2018-19 fiscal year, increasing to a maximum rate of 10.6 and 8.0 percent in the 2021-22 fiscal year, and gradually decreasing to 3.8 percent, for both Plans, after the 2074-75 fiscal year.

Retiree premium trend rates for both the PPO and HMO plans are 7.5 percent for the 2018-19 fiscal year, increasing to a maximum of 9.3 percent for 2021-22 fiscal year, and gradually decreasing to 3.8 percent after the 2074-75 fiscal year.

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

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2017, valuation were based on a review of recent plan experience done concurrently with the July 1, 2017, valuation.

The following changes have been made since the prior valuation:

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

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the total OPEB liability	\$ 211,752,000	\$ 174,101,000	\$ 144,788,000

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	\$ 140,831,000	\$ 174,101,000	\$ 218,753,000

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

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of \$8,778,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions or other inputs	-	35,058,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	-	(5,181,000)
Transactions subsequent to the measurement date	5,163,000	-
Total	\$ 5,163,000	\$ 29,877,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$5,163,000 resulting from transactions (e.g. benefit payments) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2020	\$ (4,706,642)
2021	(4,706,642)
2022	(4,706,642)
2023	(4,706,642)
2024	(4,706,642)
Thereafter	(6,343,790)
Total	\$ (29,877,000)

13. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS

General Information about the Florida Retirement System

The Florida Retirement System was created in Chapter 121, Florida Statutes, in order 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 (SMSC) 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 Florida Retirement System 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 website (www.dms.myflorida.com).

The University's pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled \$49,428,280 for the 2018-19 fiscal year.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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. Members of 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 Deferred Retirement Option Program, 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

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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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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 years of service or more	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

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

Contributions - The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (1)
Florida Retirement System, Regular	3.00	8.26
Florida Retirement System, Senior Management Service	3.00	24.06
Florida Retirement System, Special Risk	3.00	24.50
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program - Applicable to		
Members from All of the Above Classes or Plan	0.00	14.03
Florida Retirement System, 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 .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 \$23,595,217 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the University reported a liability of \$225,130,592 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportion was 0.75 percent, which was an increase of .03 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of \$44,055,490. 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	\$ 19,071,945	\$ 692,222
Changes of Assumptions	73,561,729	-
Net difference between projected and actual earnings on pension plan investments	-	17,394,083
Changes in proportion and differences between University contributions and proportionate share of contributions	11,067,897	298,872
University contributions subsequent to the measurement date	23,595,217	-
Total	\$ 127,296,788	\$ 18,385,177

The deferred outflows of resources totaling \$23,595,217, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 34,255,417
2021	22,267,993
2022	3,664,236
2023	13,907,809
2024	9,591,782
Thereafter	1,629,157
Total	\$ 85,316,394

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

- ◆ Inflation 2.60 percent
- ◆ Salary Increases 3.25 percent, average, including inflation
- ◆ Investment Rate of Return 7.00 percent, net of Plan investment expense, including inflation

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

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

The long-term expected rate of return on 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	Annual Geometric Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed Inflation - Mean			2.6%	1.9%

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

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Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	\$ 410,872,773	\$ 225,130,592	\$ 70,860,730

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

HIS Pension Plan

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

Benefits Provided - For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding three 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 \$3,612,160 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the University reported a liability of \$68,540,176 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 one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportion was 0.65 percent, which was equal to its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of \$5,372,790. In addition, the University reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,049,320	\$ 116,447
Changes of Assumptions	7,622,514	7,246,641
Net difference between projected and actual earnings on HIS Plan investments	41,372	-
Changes in proportion and differences between University contributions and proportionate share of contributions	1,198,488	847,036
University contributions subsequent to the measurement date	3,612,160	-
Total	\$ 13,523,854	\$ 8,210,124

The deferred outflows of resources totaling \$3,612,160 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 1,215,845
2021	1,212,358
2022	768,655
2023	92,183
2024	(1,052,184)
Thereafter	(535,287)
Total	\$ 1,701,570

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

- ◆ Inflation 2.60 percent
- ◆ Salary Increases 3.25 percent, average, including inflation
- ◆ Municipal Bond Rate 3.87 percent

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

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

Discount Rate - The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the net pension liability	\$ 78,063,244	\$ 68,540,176	\$ 60,602,147

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.

14. 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 this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

Class or Plan	Percent of Gross Compensation
Florida Retirement System, Regular	6.30
Florida Retirement System, Senior Management Service	7.67
Florida Retirement System, Special Risk	14.00

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For all membership classes, employees are immediately vested in their own contributions and are vested after one 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 five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's contributions to the Investment Plan totaled \$3,885,345 and employee contributions totaled \$1,362,062 for the 2018-19 fiscal year.

State University System Optional Retirement Program

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

The ORP 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 ORP, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the ORP totaled \$23,032,618 and employee contributions totaled \$13,159,033 for the 2018-19 fiscal year.

15. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Committed Balance
Student Union Expansion	\$ 139,678,838	\$ 22,575,406	\$ 117,103,432
Earth, Ocean, and Atmospheric Science Building	77,300,000	54,831,774	22,468,226
Biology Medical Research Facility	24,000,000	1,788,609	22,211,391
Interdisciplinary Research Commercialization Building	26,137,759	4,420,323	21,717,436
Legacy Hall, College of Business	17,500,000	2,333,649	15,166,351
Hoffman Teaching Lab Renovations	15,200,000	1,193,595	14,006,405
Florida State University Schools STEAM Building	6,500,000	627,797	5,872,203
Other (1)	169,827,381	30,441,888	139,385,493
Total	\$ 476,143,978	\$ 118,213,041	\$ 357,930,937

(1) All other projects with committed balances less than \$5 million.

16. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2018-19 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$78 million for named windstorm and flood losses through February 14, 2019, and decreased to \$68.5 million starting February 15, 2019. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage

is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three 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.

University Self-Insurance Program

The Florida State University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes on July 1, 2006. The Self-Insurance Program provides professional and general liability protection for the Florida State University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and resident physicians. This includes the faculty and staff of the College of Nursing, effective July 1, 2009, and the faculty and staff of the Student Health Center, effective July 1, 2010. Liability protection is afforded to the students of each college. The Self-Insurance Program provides legislative claims bill protection.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2018-19 fiscal year are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/ Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2017-18	\$ 523,806	\$ (6,999)	\$ (396)	\$ 516,411
2018-19	516,411	(77,501)	(757)	438,153

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	\$ 404,528,109
Research	175,979,276
Public Service	36,370,372
Academic Support	120,138,651
Student Services	56,793,873
Institutional Support	81,913,580
Operation and Maintenance of Plant	92,207,712
Scholarships and Fellowships	117,664,222
Depreciation	85,376,360
Auxiliary Enterprises	154,915,448
Total Operating Expenses	\$ 1,325,887,603

18. SEGMENT INFORMATION

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

Condensed Statement of Net Position

	Parking Facility	Housing Facility
Assets		
Current Assets	\$ 6,005,803	\$ 68,469,292
Capital Assets, Net	67,494,550	286,905,552
Other Noncurrent Assets	2,749,126	13,679,426
Total Assets	76,249,479	369,054,270
Liabilities		
Current Liabilities	4,092,598	15,125,268
Noncurrent Liabilities	23,925,714	164,052,975
Total Liabilities	28,018,312	179,178,243
Net Position		
Net Investment in Capital Assets	39,816,085	114,522,570
Restricted - Expendable	2,758,075	12,874,953
Unrestricted	5,657,007	62,478,504
Total Net Position	\$ 48,231,167	\$ 189,876,027
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating Revenues	\$ 11,984,321	\$ 47,973,616
Depreciation Expense	(1,978,380)	(7,532,897)
Other Operating Expenses	(6,525,223)	(23,237,465)
Operating Income	3,480,718	17,203,254
Net Nonoperating Expenses	(559,050)	(2,841,745)
Income Before Other Revenues, Expenses, Gains, or Losses	2,921,668	14,361,509
Other Revenues, Expenses, Gains, or Losses	(309,042)	(1,464,601)
Increase in Net Position	2,612,626	12,896,908
Net Position, Beginning of Year	45,618,541	176,979,119
Net Position, End of Year	\$ 48,231,167	\$ 189,876,027

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:

Operating Activities	\$ 5,419,692	\$ 24,642,741
Noncapital Financing Activities	(302,073)	(1,347,116)
Capital and Related Financing Activities	(4,745,571)	(21,883,415)
Investing Activities	(384,322)	(1,393,200)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,274)	19,010
Cash and Cash Equivalents, Beginning of Year	38,400	175,420
Cash and Cash Equivalents, End of Year	\$ 26,126	\$ 194,430

19. DISCRETELY PRESENTED COMPONENT UNITS

The University has twelve component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. During the 2018-19 fiscal year, the Foundation, Real Estate Foundation, Ringling Museum Foundation, and Student Investment Fund converted from the FASB reporting model to the GASB reporting model. The Foundation has restated beginning net position as a result of this change in accounting standard.

	Foundation 6/30/2019	Boosters 6/30/2019	Research Foundation 6/30/2019	International Programs Association 9/30/2018	Florida State University Schools 6/30/2019	Other Component Units 6/30/2019	Total
Condensed Statement of Net Position							
Assets:							
Current Assets	\$ 28,165,794	\$ 23,697,835	\$ 156,663,675	\$ 23,577,680	\$ 26,129,902	\$ 21,810,971	\$ 280,045,857
Capital Assets, Net	5,797,529	213,388,023	15,504,077	19,312,589	20,476,325	695,383	275,173,926
Other Noncurrent Assets	716,228,113	179,367,753	7,103,204	354,206	-	4,305,980	907,359,256
Total Assets	750,191,436	416,453,611	179,270,956	43,244,475	46,606,227	26,812,334	1,462,579,039
Deferred Outflows of Resources	-	1,802,858	-	-	-	-	1,802,858
Liabilities:							
Current Liabilities	12,967,296	52,262,563	23,842,480	2,596,421	10,778,520	4,940,457	107,387,737
Noncurrent Liabilities	12,619,585	191,469,528	8,912,510	317,817	10,615,423	3,292,403	227,227,266
Total Liabilities	25,586,881	243,732,091	32,754,990	2,914,238	21,393,943	8,232,860	334,615,003
Deferred Inflows of Resources	13,247,075	-	-	-	-	-	13,247,075
Net Position:							
Net Investment in Capital Assets	2,403,142	33,823,864	6,016,567	19,312,589	9,971,182	695,383	72,222,727
Restricted, Nonexpendable	444,817,076	44,803,766	-	-	-	1,797,414	491,418,256
Restricted, Expendable	251,368,009	98,887,839	-	-	6,784,905	1,555,293	358,596,046
Unrestricted	12,769,253	(2,991,091)	140,499,399	21,017,648	8,456,197	14,531,384	194,282,790
Total Net Position	\$ 711,357,480	\$ 174,524,378	\$ 146,515,966	\$ 40,330,237	\$ 25,212,284	\$ 18,579,474	\$ 1,116,519,819
Condensed Statement of Revenues, Expenses, and Changes in Net Position							
Operating Revenues	\$ 47,080,299	\$ 51,499,134	\$ 16,369,779	\$ 21,081,280	\$ 16,860,185	\$ 10,824,244	\$ 163,714,921
Operating Expenses	64,031,889	58,372,703	15,441,607	16,619,655	14,100,095	16,841,128	185,407,077
Operating Income (Loss)	(16,951,590)	(6,873,569)	928,172	4,461,625	2,760,090	(6,016,884)	(21,692,156)
Net Nonoperating Revenues (Expenses)	25,052,821	(7,263,956)	5,620,099	64,388	116,264	2,466,807	26,056,423
Other Revenues, Expenses, Gains, and Losses	12,819,779	37,022,821	-	-	218,244	-	50,060,844
Increase (Decrease) in Net Position	20,921,010	22,885,296	6,548,271	4,526,013	3,094,598	(3,550,077)	54,425,111
Net Position, Beginning of Year	714,533,606	151,639,082	139,967,695	35,804,224	22,117,686	22,129,551	1,086,191,844
Adjustment to Beginning Net Position	(24,097,136)	-	-	-	-	-	(24,097,136)
Net Position, End of Year	\$ 711,357,480	\$ 174,524,378	\$ 146,515,966	\$ 40,330,237	\$ 25,212,284	\$ 18,579,474	\$ 1,116,519,819

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Description	2018 (1)	2017 (1)
University's proportion of the total other postemployment benefits liability	1.65%	1.65%
University's proportionate share of the total other postemployment benefits liability	\$174,101,000	\$178,386,000
University's covered payroll	\$455,890,734	\$438,212,856
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered payroll	38.19%	40.71%

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The University's June 30, 2019 proportionate share of the total OPEB liability slightly decreased from the prior fiscal year as a result of changes to assumptions as discussed below:

Changes of assumptions – In 2019, amounts reported as changes of assumptions resulted from adjustments to the discount rate which is based on the 20-year municipal bond rate as of June 28, 2018. The municipal bond rate used to determine OPEB liability increased from 3.58 percent to 3.87 percent.

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN

Description	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.75%	0.72%	0.72%	0.72%	0.70%	0.55%
University's proportionate share of the FRS net pension liability	\$ 225,130,592	\$ 212,443,411	\$ 181,310,252	\$ 93,262,711	\$ 42,528,294	\$ 94,644,224
University's covered payroll (2)	\$ 455,890,734	\$ 438,212,856	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458	\$ 368,648,639
University's proportion of the FRS net pension liability as a percentage of its covered payroll	49.38%	48.48%	42.85%	22.91%	10.91%	25.67%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

(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

Description	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 23,595,217	\$ 21,301,230	\$ 18,696,925	\$ 17,510,994	\$ 17,604,243	\$ 15,267,633
FRS contributions in relation to the contractually required FRS contribution	(23,595,217)	(21,301,230)	(18,696,925)	(17,510,994)	(17,604,243)	(15,267,633)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 482,527,134	\$ 455,890,734	\$ 438,212,856	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458
FRS contributions as a percentage of covered payroll	4.89%	4.67%	4.27%	4.14%	4.32%	3.92%

(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.

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

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN

Description	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.65%	0.65%	0.66%	0.65%	0.64%	0.62%
University's proportionate share of the HIS net pension liability	\$ 68,540,176	\$ 69,890,112	\$ 76,700,313	\$ 66,652,215	\$ 59,936,732	\$ 54,347,452
University's covered payroll (2)	\$ 209,298,557	\$ 206,288,311	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602	\$ 179,775,016
University's proportion of the HIS net pension liability as a percentage of its covered payroll	32.75%	33.88%	38.10%	33.95%	31.75%	30.23%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

(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

Description	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	\$ 3,612,160	\$ 3,511,821	\$ 3,459,247	\$ 3,373,247	\$ 2,498,290	\$ 2,195,911
HIS contributions in relation to the contractually required HIS contribution	(3,612,160)	(3,511,821)	(3,459,247)	(3,373,247)	(2,498,290)	(2,195,911)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 216,222,787	\$ 209,298,557	\$ 206,288,311	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602
HIS contributions as a percentage of covered payroll	1.67%	1.68%	1.68%	1.68%	1.27%	1.16%

(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.

Changes of assumptions - The 20-year municipal bond rate used to determine total pension liability increased from 3.58 percent to 3.87 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 Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 15, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 15, 2020
Audit Report No. 2020-100

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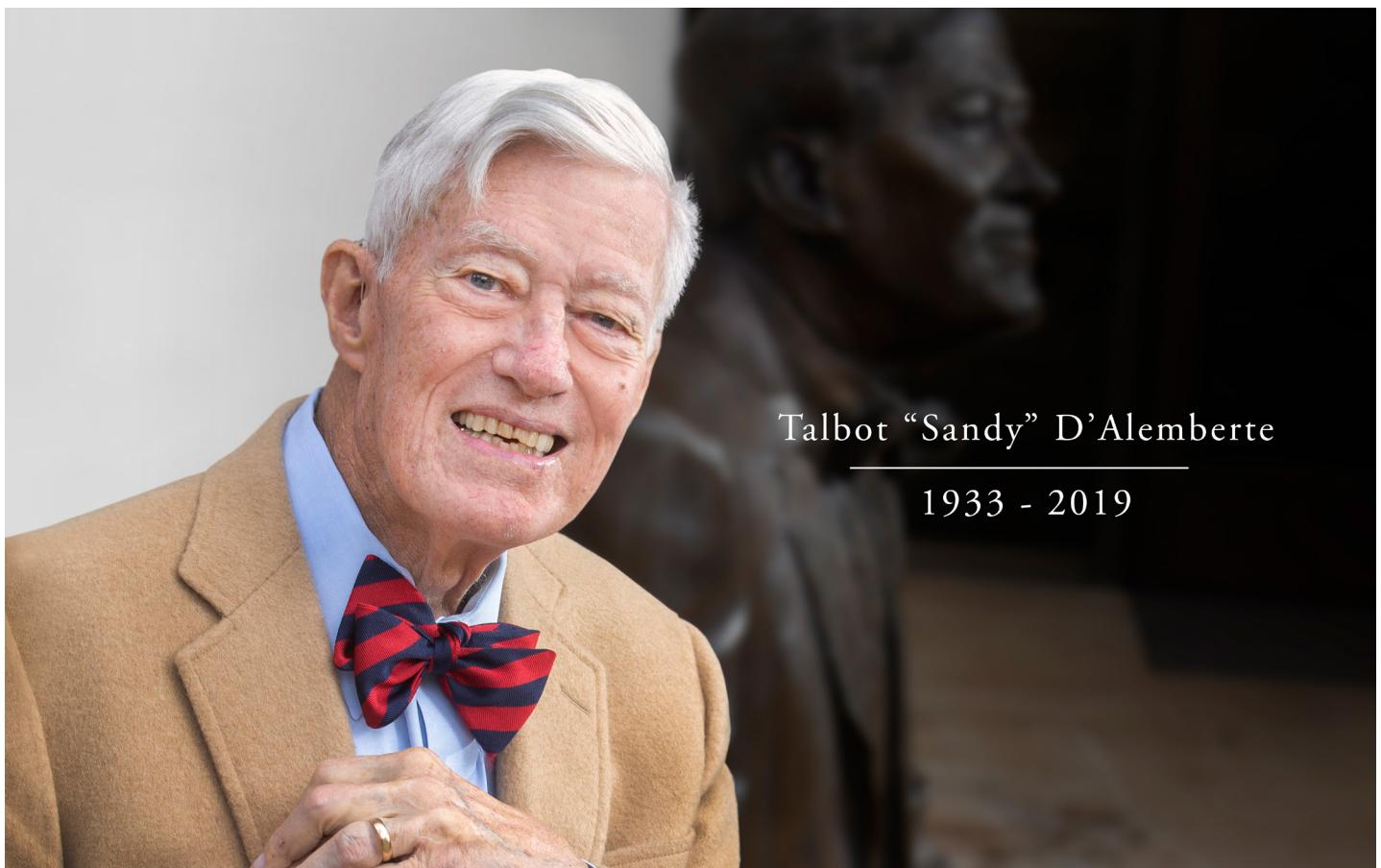
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Annual Report 2018–2019