

FRANCIS MARION UNIVERSITY
(A Component Unit of the
State of South Carolina)

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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(A Component Unit of the State of South Carolina)

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the Board of Trustees
of Francis Marion University
Florence, South Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of **Francis Marion University** (the "University"), including its discretely presented component units, as of and for the 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. The University is a component unit of the State of South Carolina.

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 Francis Marion University Education Foundation. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Francis Marion University Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University's component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 10), the Schedules of Proportionate Share of the Net Pension Liability (on page 53), the Schedules of University Contributions (on page 54), the Schedules of Proportionate Share of the net OPEB Liability (on page 55), and the Schedules of University OPEB Contributions (on page 56), 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 an opinion on the financial statements that collectively comprise Francis Marion University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the University internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 19, 2019

FRANCIS MARION UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Francis Marion University for the year ended June 30, 2018 with selected comparative information for the year ended June 30, 2017. This discussion is presented along with financial statements and related footnote disclosures of the University and its component units. The discussion and analysis is limited to the University and its focus is on current activities, resulting changes, and current known facts and should be read in conjunction with the financial statements and footnotes. Separately issued financial statements of the component units are available from management of the component units. The report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The University changed its accounting policies with the implementation of new accounting standards during years ended June 30, 2015 and June 30, 2018. Changes in accounting policies for pensions and other post-employment benefits (OPEB) are designed to improve transparency regarding pension and OPEB obligations by requiring recognition of liabilities equal to the net pension liability for the University's defined benefit pension plan and net OPEB liability for the University's retiree health plan and long-term disability plan. These standards require recognition of pension and OPEB expenses using a systematic method designed to match the cost of pension and OPEB benefits with service periods for eligible employees. These accounting policy changes do not impact the University's funding requirements for the pension and OPEB plans.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement and its purpose is to present to the readers of the financial statements a fiscal snapshot of Francis Marion University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Current assets are those which are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net assets and their availability for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University.

Condensed Statement of Net Position

	2018	2017	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	\$ 23,301,709	\$ 18,077,329	\$ 5,224,380	28.90%
Capital assets, net of accumulated depreciation	76,114,753	79,353,981	(3,239,228)	(4.08%)
Other noncurrent assets	9,874,926	3,661,491	6,213,435	169.70%
Total assets	<u>109,291,388</u>	<u>101,092,801</u>	<u>8,198,587</u>	8.11%
Deferred outflows of resources	<u>10,813,020</u>	<u>10,616,898</u>	<u>196,122</u>	1.85%
Liabilities:				
Current liabilities	4,666,252	4,348,792	317,460	7.30%
Noncurrent liabilities	120,610,751	119,341,836	1,268,915	1.06%
Total liabilities	<u>125,277,003</u>	<u>123,690,628</u>	<u>1,586,375</u>	1.28%
Deferred inflows of resources	<u>6,248,001</u>	<u>6,082,772</u>	<u>165,229</u>	2.72%
Net position:				
Net investment in capital assets	70,429,753	73,279,266	(2,849,513)	(3.89%)
Restricted - nonexpendable	200,000	200,000	-	0.00%
Restricted - expendable	11,465,007	2,030,690	9,434,317	464.59%
Unrestricted	(93,415,356)	(93,573,657)	158,301	(0.17%)
Total net position	<u>\$ (11,320,596)</u>	<u>\$ (18,063,701)</u>	<u>\$ 6,743,105</u>	(37.33%)

The Statement of Net Position shows an increase in assets and a slight increase in liabilities resulting in an overall increase in net position. Significant changes on the Statement of Net Position are as follows:

- Total current assets of the University increased by \$8.2 million. The increase in current assets is primarily due to an increase in cash and cash equivalents and an increase in capital accounts receivable. This is attributable to closer budget monitoring and a larger enrollment reserve as well as cash and an outstanding receivable for a capital project.
- The \$3.2 million decrease in capital assets is due to \$3.5 million in current year depreciation netted with additional purchases for the University's enterprise resource planning system that was completed in 2019.
- The increase in other noncurrent assets is the result of a substantial increase in noncurrent cash resulting from unspent capital appropriations for the Honors Center and Medical Education Complex.
- Deferred outflows of resources increased by \$196 thousand. This change is attributable to a change in the University's proportionate share of the South Carolina Retirement System and the Police Officers Retirement System pension liability and the OPEB (other post employment benefits) liability.
- Current liabilities increased \$317 thousand primarily due to slight increase in unearned student tuition revenue.
- Noncurrent liabilities increased by \$1.3 million and deferred inflows of resources increased by \$165 thousand. These changes are largely attributable to a change in the University's proportionate share of the South Carolina Retirement System and the Police Officers Retirement System pension liability and the OPEB (other post employment benefits) liability.
- Larger cash reserves and a substantial increase in restricted assets due to capital appropriations resulted in an increase in net position of 6.7 million.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net assets as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are

revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid.

Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

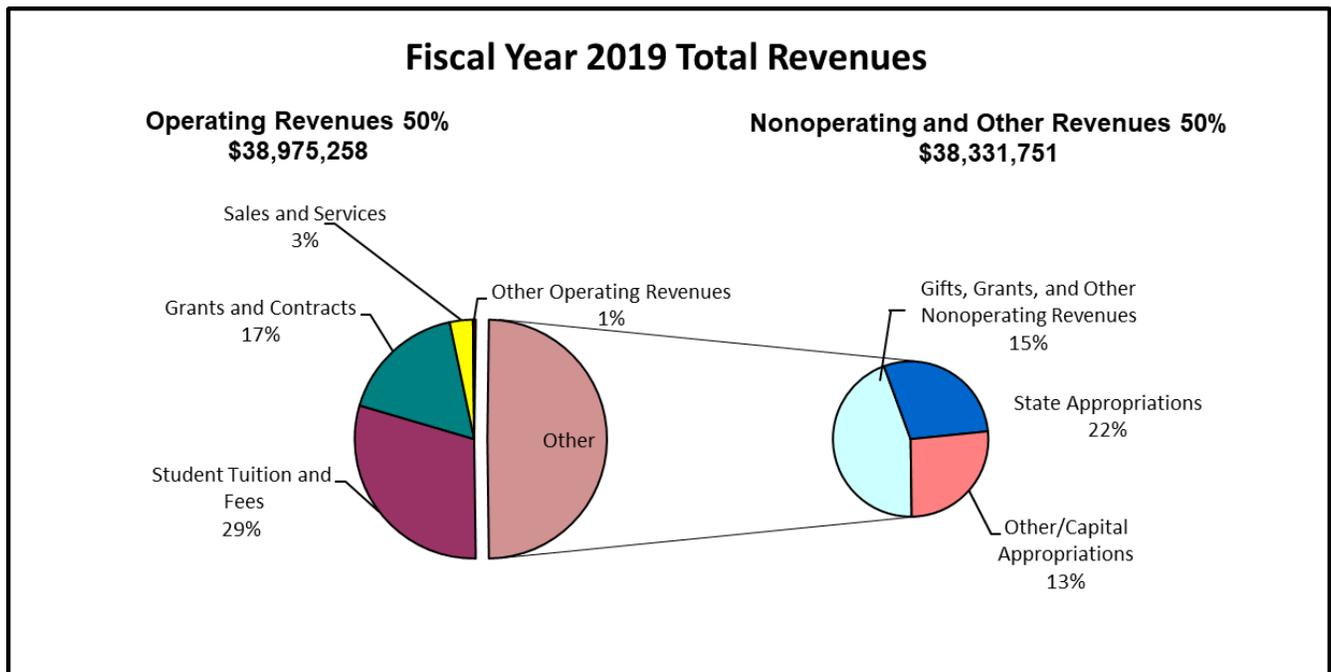
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 23,002,271	\$ 22,508,264	\$ 494,007	2.19%
Grants and contracts	13,261,438	12,542,243	719,195	5.73%
Sales and services	2,418,365	2,133,059	285,306	13.38%
Other operating revenues	293,184	332,325	(39,141)	(11.78%)
Total operating revenues	38,975,258	37,515,891	1,459,367	3.89%
State appropriations	17,102,238	16,252,544	849,694	5.23%
Grants	8,883,288	8,923,334	(40,046)	(0.45%)
Gifts	1,799,266	1,580,949	218,317	13.81%
Investment income (loss)	425,852	97,993	327,859	334.57%
Other nonoperating revenues	5,974	10,737	(4,763)	(44.36%)
Total nonoperating revenues	28,216,618	26,865,557	1,351,061	5.03%
Total revenues	67,191,876	64,381,448	2,810,428	4.37%
Expenses:				
Compensation and employee benefits	46,924,040	46,925,357	(1,317)	(0.00%)
Services and supplies	13,336,731	11,598,651	1,738,080	14.99%
Utilities	2,735,640	2,430,006	305,634	12.58%
Depreciation	3,474,038	3,370,822	103,216	3.06%
Scholarships	3,800,908	3,712,868	88,040	2.37%
Total operating expenses	70,271,357	68,037,704	2,233,653	3.28%
Interest expense	292,547	311,273	(18,726)	(6.02%)
Total nonoperating expenses	292,547	311,273	(18,726)	(6.02%)
Total expenses	70,563,904	68,348,977	2,214,927	3.24%
Income (loss) before other revenues, expenses, gains, losses, and transfers	(3,372,028)	(3,967,529)	595,501	(15.01%)
State capital appropriations	10,100,000	-	10,100,000	-
Capital gifts	15,133	3,306,559	(3,291,426)	(99.54%)
Increase (decrease) in net position	6,743,105	(660,970)	7,404,075	(1120.18%)
Net position - beginning of year, as previously reported	(18,063,701)	35,411,557	(53,475,258)	(151.01%)
Cumulative effect of GASB Statement 75	-	(52,814,288)	52,814,288	(100.00%)
Net position - beginning of year, as restated	(18,063,701)	(17,402,731)	(660,970)	3.80%
Net position - end of year	\$ (11,320,596)	\$ (18,063,701)	\$ 6,743,105	(37.33%)

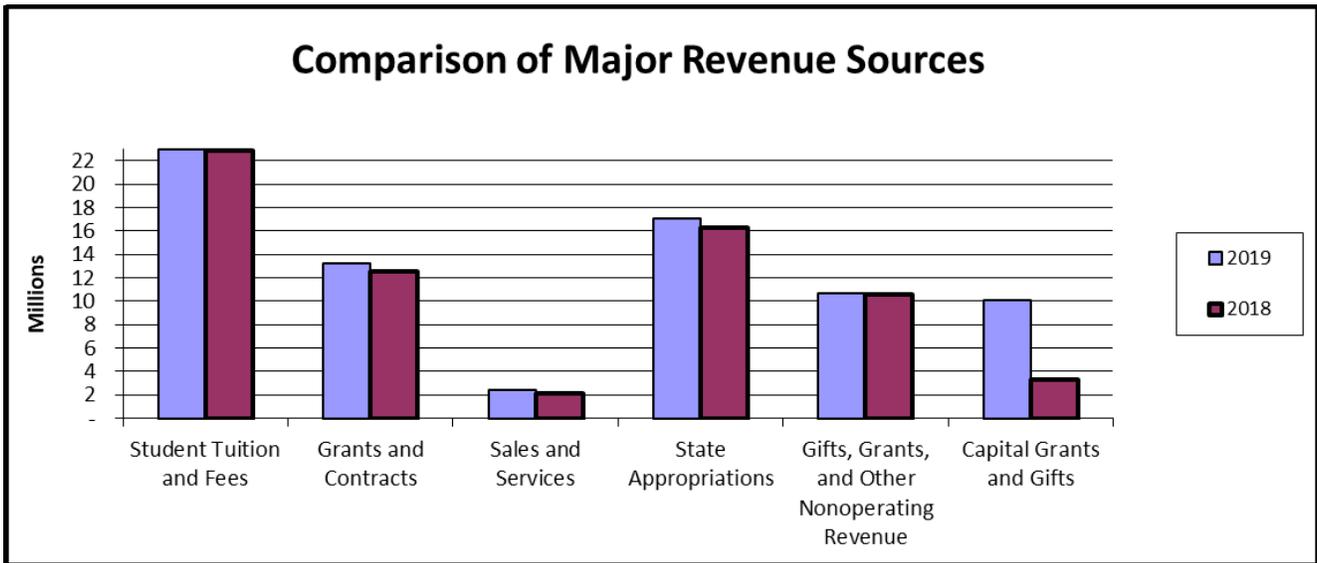
The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- The University experienced a \$6.7 million increase in net position.
- Student tuition and fees increased \$494 thousand due to a slight fee increase, the additional cohorts of the Doctorate of Nursing Practices and the addition of the Speech Pathology program.
- The increase in grant revenues of \$719 thousand is related to the state grant funding of the state retirement system for the University's employees. The state legislature approved a contribution to PEBA on behalf of all state employers to help defray the cost of the increase in required contributions.
- The addition of several federal contracts contributed to an increase in sales and services of \$285 thousand.
- State appropriations increased \$850 thousand due to an increase in the base allocation per the Annual Appropriations Act and an increase in the health and dental insurance allocation.
- Investment income increased \$328 thousand as a result of increased investment earnings for the Office of State Treasurer.
- The appropriations received for the Honors Center and the Medical Education Complex buildings resulted in a \$10.1 increase in state capital appropriations.
- The \$3.2 million decrease in capital gifts is due to the transfer of the historic Florence Post Office Federal Building from the Education Foundation and the construction of the new gateway provided by the Development Foundation in 2018.

The following graph presents the sources of revenue used to fund the University for the year.

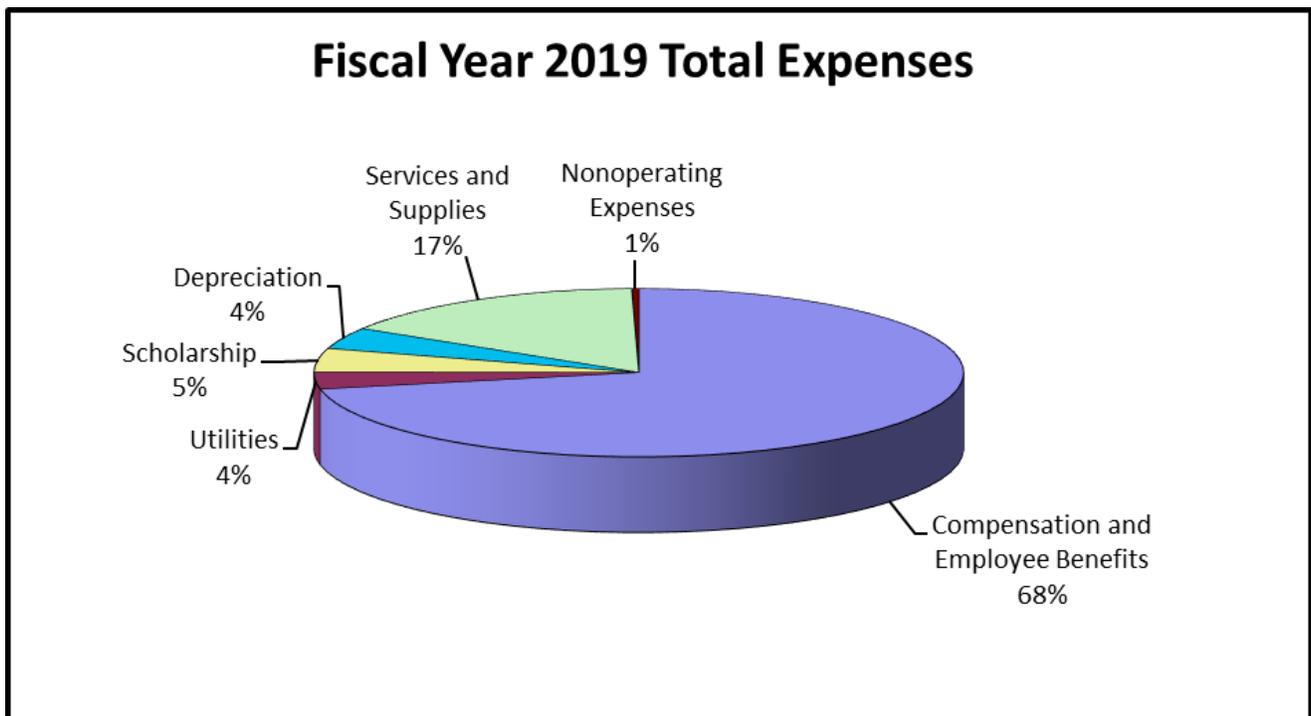


The graph below, comparing 2019 revenue sources to 2018, illustrates the changes in major revenue sources.

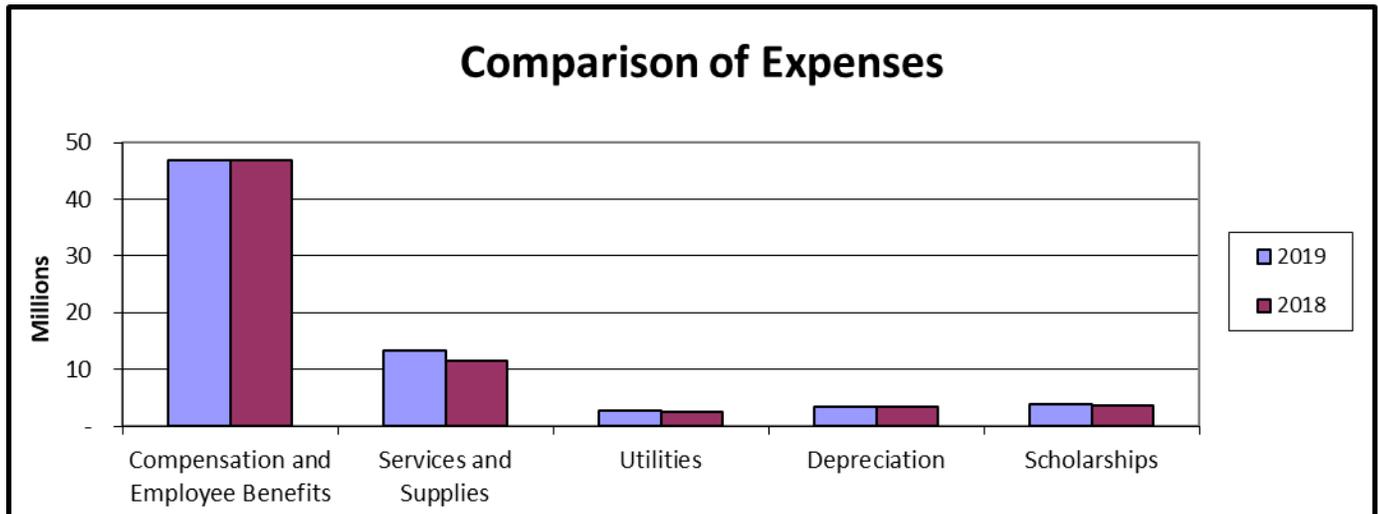


- Total operating expenses increased \$2.2 million.
- Services and supplies expenses increased 1.7 million. New roofs for several buildings and the purchase of noncapital software and maintenance agreements contributed to the increase.
- Utility expenses increase \$306 thousand due to water and electricity rate increases.

The following graph displays expense categories.



The graph below compares 2019 expenses to 2018 and illustrates the changes in major expense types.



Statement of Cash Flows

The final statement presented by Francis Marion University is the Statement of Cash Flows. The Statement of Cash Flows gives detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first section presents operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and displays the cash received and spent for noncapital financing purposes. The third section exhibits cash flows from capital and related financing activities and shows cash received and spent for the acquisition and construction of capital and related items. The fourth part gives the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss displayed on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets and Debt

Total capital assets net of depreciation for the University is \$76,147,531 at June 30, 2019. Construction in progress is \$533,201, which is a reduction from last year’s \$1.1 million due to the completion of the enterprise resource planning system in 2019.

Debt on capital assets is \$5,685,000. Details of the bonds and capital leases are available in notes 10, 11, and 12.

Through the generosity of private donors and the City of Florence, the historic Florence Post Office Federal Building was acquired by the Francis Marion Education Foundation in 2017. The Foundation transferred ownership of the \$3 million building to the University in 2018. The University received \$8 million in capital funding from the State to renovate the Medical Education Complex. The facility will accommodate the University’s Occupational, Speech and Physical Therapy Programs and a Behavioral Health Clinic. The facility will consist of classrooms, conference rooms, laboratories and offices. Renovations will start fall of 2019.

The University received capital funding from the State of \$700,000 in 2017 and \$2.1 million in 2019 to construct the Honors Center. The 15,000 square foot facility will be located on the main campus and will include instructional classrooms, faculty offices and seminar/conference rooms for the Honors Program, the McNair Center for Research and Service, International Programs as well as other university classes. Construction will start in the fall of 2019.

In the fall 2019, the University will receive 8.85 acres of land for the creation of the Freshwater

Ecology Center from the Francis Marion Education Foundation. The University will construct a 12,000 square foot research center that will provide educational and research resources for the state of South Carolina. The center will provide opportunities to conduct water quality and fisheries research and education. The University will receive \$5 million in funding from the State in the fall of 2019.

Economic Outlook

As one of the state-supported universities of South Carolina, Francis Marion receives appropriations

from the state and those appropriations were increased slightly. While enrollment has been sufficient, the University's management will continue to monitor economic factors and make adjustments if needed to ensure the University's overall financial position is sound.

The University's current financial position is stable. Current appropriations and tuition are adequate to fund the operations for the ensuing year. The University does not plan to materially reduce operations or curtail any planned improvements.

Francis Marion University
Statement of Net Position
June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 16,415,678
Accounts receivable (net of allowance for doubtful accounts \$640,464)	5,778,298
Accrued interest receivable	89,001
Due from Francis Marion University Education Foundation	40,432
Prepaid expenses	978,300
Total current assets	<u>23,301,709</u>

Noncurrent Assets

Restricted cash and cash equivalents	8,160,980
Notes receivable - due from Francis Marion University Education Foundation	253,264
Perkins Loan Program receivable	1,403,990
Nurse Faculty Loan Program receivable	156,692
Capital assets, net of accumulated depreciation	76,114,753
Total noncurrent assets	<u>86,089,679</u>
Total assets	<u>109,391,388</u>

DEFERRED OUTFLOWS OF RESOURCES	<u>10,813,020</u>
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LIABILITIES

Current Liabilities

Accounts and retainages payable	587,193
Accrued payroll and related liabilities	365,110
Accrued compensated absences - current portion	1,129,318
Accrued interest payable	23,593
Due to Francis Marion University Development Foundation	138,103
Unearned revenues	971,225
Bonds payable - current portion	400,000
Deposits held for others	157,867
Deposits held for Francis Marion University Development Foundation	893,843
Total current liabilities	<u>4,666,252</u>

Noncurrent Liabilities

Accrued compensated absences	746,462
Unearned revenues	1,526,807
Bonds payable	5,285,000
Perkins Loan Program liability	1,590,170
Nurse Faculty Loan Program liability	196,758
Pension liability	58,937,680
Other post employment benefits liability	52,327,874
Total noncurrent liabilities	<u>120,610,751</u>
Total liabilities	<u>125,277,003</u>

DEFERRED INFLOWS OF RESOURCES	<u>6,248,001</u>
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NET POSITION

Net investment in capital assets	70,429,753
Restricted for	
Nonexpendable	
Scholarships and fellowships	200,000
Expendable	
Scholarships and fellowships	99,127
Instructional department uses	241,417
Loans	257,110
Capital projects	10,861,092
Other	6,261
Unrestricted	<u>(93,415,356)</u>
Total net position	<u>\$ (11,320,596)</u>

Francis Marion University
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$16,474,440)	\$ 23,002,271
(of which \$671,001 of revenues are pledged for Athletic Facility Revenue Bonds)	
Federal grants and contracts	3,811,589
State grants and contracts	9,061,189
Local grants and contracts	125,479
Non-governmental grants and contracts	263,181
Sales and services of educational and other activities	1,457,858
Sales and services of auxiliary enterprises	960,507
Other operating revenues	293,184
Total operating revenues	<u>38,975,258</u>

OPERATING EXPENSES

Salaries and wages	32,534,917
Benefits	14,389,123
Supplies and other services	13,336,731
Utilities	2,735,640
Scholarships	3,800,908
Depreciation	3,474,038
Total operating expenses	<u>70,271,357</u>
Operating income (loss)	<u>(31,296,099)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	17,102,238
Federal grants	8,883,288
Gifts	1,799,266
Investment income	425,852
Interest and other fees on capital asset related debt	(292,547)
Other nonoperating revenues (expense).....	5,974
Net nonoperating revenue	<u>27,924,071</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(3,372,028)
State capital appropriations	10,100,000
Capital gifts	15,133
Increase (decrease) in net position	<u>6,743,105</u>

Net position - beginning of year	<u>(18,063,701)</u>
Net position - end of year	<u>\$ (11,320,596)</u>

Francis Marion University
Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 23,530,655
Grants and contracts	12,550,858
Sales and services of educational and other activities	1,526,000
Sales and services of auxiliary enterprises	843,427
Receipts for reimbursements	3,585,021
Payments to suppliers	(17,657,161)
Payments to employees	(33,746,824)
Payments for benefits	(12,524,279)
Payments for scholarships	(3,583,840)
Loans to students	(76,173)
Collection of loans	263,513
Inflows from federal direct lending loans	25,160,738
Outflows from federal direct lending loans	(25,163,247)
Inflows from funds held for others	10,406,757
Outflows from funds held for others	(10,560,872)
Other receipts	515,498
Net cash (used) by operating activities	<u>(24,929,929)</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	17,102,238
Nonoperating grants	8,885,293
Gifts	1,119,125
Net cash provided by noncapital financing activities	<u>27,106,656</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State capital appropriations	7,100,000
Purchases of capital assets	(177,306)
Principal paid on bond payable	(380,000)
Principal paid on capital leases	(9,715)
Interest and fees	(294,124)
Net cash provided by capital and related financing activities	<u>6,238,855</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	410,732
Net cash provided by investing activities	<u>410,732</u>

Net change in cash	8,826,314
Cash and cash equivalents - beginning of year	<u>15,750,344</u>
Cash and cash equivalents - end of year	<u>\$ 24,576,658</u>

Francis Marion University
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

**Reconciliation of net operating income (loss) to net cash provided
(used) by operating activities:**

Operating income (loss)	(31,296,099)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Other receipts	22,410
Operating expenses paid on-behalf of the University	663,038
Depreciation expense	3,474,038
Bad debts	89,661
Loan cancellations	55,263
Changes in asset and liabilities:	
Receivables net	79,695
Loans to students	196,560
Prepaid expenses	(98,462)
Accounts payable	(239,711)
Accrued payroll and related liabilities	419
Unearned student and other revenues	328,458
Perkins Loan Program liability	(13,562)
Nursing Loan Program liability	119,519
Deposits held for others	141,574
Accrued compensated absences	(18,022)
Net pension liability and related items	969,552
Net other post employment benefits liability and related items	595,740
Net cash (used) by operating activities	<u>\$ (24,929,929)</u>

Noncash transactions

Disposal of capital assets	\$ (16,436)
Assets acquired through gifts	15,133

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and cash equivalents	\$ 16,415,678
Restricted cash and cash equivalents	8,160,980
	<u>\$ 24,576,658</u>

**Francis Marion University
Component Unit
Francis Marion University Education Foundation
Statement of Financial Position
December 31, 2018**

ASSETS

Cash and cash equivalents	\$ 9,686,291
Investments	13,574,907
Contributions receivable, net	483,647
Other receivables	180,300
Assets held in trust by others	916,908
Property and equipment, net	2,294,119
Other assets	1,839,347
Total assets	<u>28,975,519</u>

LIABILITIES

Accounts payable	33,903
Due to Francis Marion University	95,688
Note payable - Francis Marion University	247,273
Bonds payable	469,699
Total liabilities	<u>846,563</u>

NET ASSETS

Without donor restrictions	3,418,803
With donor restrictions	<u>24,710,153</u>
Total net assets	<u>28,128,956</u>
Total liabilities and net assets	<u><u>\$ 28,975,519</u></u>

**Francis Marion University
Component Unit
Francis Marion University Education Foundation
Statement of Activities
For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	\$ 1,166,110	\$ 2,050,842	\$ 3,216,952
Trust income	-	30,000	30,000
Net interest and dividend income	22,067	482,127	504,194
Net unrealized and realized gains (losses) on investments	(84,502)	(1,918,416)	(2,002,918)
Registration and other fees	-	30,200	30,200
Rent and other income	44,995	273,146	318,141
Net assets released from program restrictions	1,947,622	(1,947,622)	-
Total revenues, gains and other support	<u>3,096,292</u>	<u>(999,723)</u>	<u>2,096,569</u>
EXPENSES			
Program Expenses	1,645,715	-	1,645,715
General and administrative	625,180	-	625,180
Fundraising	124,844	-	124,844
Total expenses	<u>2,395,739</u>	<u>-</u>	<u>2,395,739</u>
Change in net assets	700,553	(999,723)	(299,170)
Net assets, beginning of year	<u>2,718,250</u>	<u>25,709,876</u>	<u>28,428,126</u>
Net assets, end of year	<u>\$ 3,418,803</u>	<u>\$ 24,710,153</u>	<u>\$ 28,128,956</u>

**Francis Marion University
Component Unit
Francis Marion University Development Foundation
Statement of Financial Position
June 30, 2019**

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,235,339
Due from Francis Marion University	138,103
Held by Francis Marion University for the Foundation	893,843
Other receivables	57,200
Prepaid rent	108,412
Other prepaid expenses	46,257
Total current assets	<u>4,479,154</u>

Noncurrent Assets

Investments	3,000,000
Restricted cash and cash equivalents	4,291,003
Property and equipment	12,995,853
Prepaid rent	1,526,807
Other prepaid expenses	21,750
Total noncurrent assets	<u>21,835,413</u>
Total assets	<u>26,314,567</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	386,617
Deferred revenue	117,084
Accrued interest payable	366,513
Bonds payable - current portion	776,355
Total current liabilities	<u>1,646,569</u>

Noncurrent Liabilities

Bonds payable including premium, net of current portion	18,275,903
Total noncurrent liabilities	<u>18,275,903</u>
Total liabilities	<u>19,922,472</u>

NET ASSETS

Unrestricted	6,392,095
Total liabilities and net assets	<u>\$ 26,314,567</u>

**Francis Marion University
Component Unit
Francis Marion University Development Foundation
Statement of Activities
For the Year Ended June 30, 2019**

REVENUES	
Rents - student housing	\$ 6,090,664
Interest, net of trustee fees	99,778
Total revenue	<u>6,190,442</u>
 EXPENSES	
Program services	
Housing services	4,730,372
University support	947,491
Total program services	<u>5,677,863</u>
General and administrative	68,433
Total expenses	<u>5,746,296</u>
 Change in net assets	 444,146
Net assets, beginning of year, as restated	<u>5,947,949</u>
Net assets, end of year	<u><u>\$ 6,392,095</u></u>

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Francis Marion University (the University) is a State-supported coeducational institution of higher education. The University's primary purpose is to provide academic instruction to students and conduct research and other activities that advance fundamental knowledge.

The University is a discretely presented component unit in the Comprehensive Annual Financial Report of the State of South Carolina.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB 39, *Determining Whether Certain Organizations are Component Units* and GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component units.

The Francis Marion University Education Foundation (the Education Foundation) is a legally separate, tax-exempt component unit of the University. The Education Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Education Foundation, the majority of resources, or income thereon, which the Education Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Education Foundation can only be used by, or for the benefit of, the University, the Education Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Education Foundation reports on a December 31 year-end. Copies of the separately issued financial statements of the Education Foundation can be obtained by

sending a request to Francis Marion University Education Foundation, Post Office Box 100547, Florence, South Carolina 29502.

The Francis Marion University Development Foundation (the Development Foundation) is a legally separate, tax-exempt component unit of the University. It is operated for the benefit of the University specifically to acquire, construct, finance, pledge, maintain, operate, manage and lease housing facilities for students and faculty of the University and other real property for the benefit and support of the University. The Development Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial statements include the assets, liabilities and activities of Francis Marion University Student Housing, LLC of which the Development Foundation is the sole member. Copies of the separately issued financial statements of the Development Foundation can be obtained by sending a request to Francis Marion University Development Foundation, Post Office Box 100547, Florence, South Carolina 29502.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The Education Foundation and the Development Foundation are private nonprofit organizations that reports under FASB, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial reporting entity for these differences.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Cash and Cash Equivalents

For purposes of the financial statements, the University and its component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through South Carolina State Treasurer's Office are considered cash equivalents.

Investments

The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated doubtful accounts.

Contributions Receivable

Contributions receivable consist of unconditional promises to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Contributions receivable are recorded net of estimated uncollectible amounts.

Prepaid Expenses

Expenses for goods and services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of prepaid insurance, prepaid postage, prepaid travel and advance payments for maintenance and service agreements.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space,

prepare existing buildings for new uses, or extend the useful lives of existing buildings are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life of two years or greater and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, improvements, and land improvements, 3 years for computer software, and 2 to 25 years for machinery, equipment, and vehicles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposal.

Unearned Revenues and Deposits

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include unearned rental income and amounts received from grant and contract sponsors that have not yet been earned.

Accrued Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as components of salaries and wages and benefits expenses in the statement of revenues, expenses, and changes in net position.

Perkins Loan Program and Nursing Faculty Loan Program Receivable and Related Liability

The loans receivable on the balance sheet are due to the University under the Perkins Loan Program and the Nursing Faculty Loan Program. The federal government funds these programs with the University providing a required match. The amount reported as Perkins Loan Program and Nursing Faculty Loan Program liabilities are the amount of cumulative federal contributions and a pro rata share of net earnings on the loans under these programs that would have to be repaid to the federal government if the University ceases to participate in the programs. The University recognizes as revenue and expenses

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

only the portion attributable to its matching contribution.

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Changes in net other post-employment benefits (OPEB) liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources.

Net Position

The University's net position is comprised of the following:

Net investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - expendable: Restricted expendable 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.

Restricted net position - nonexpendable: 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 either be expended or added to principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources may

be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from community groups using campus facilities for summer camps and other activities.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Sales and Services of Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dining services, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles deposits and investments within the footnotes to the statement of net position amounts:

<u>Statement of Net Position</u>		<u>Footnotes</u>	
Cash and cash equivalents (current)	\$ 16,415,678	Cash on hand	\$ 26,525
Restricted cash and cash equivalents (noncurrent):		Deposits held by State Treasurer	24,550,133
Grants and gifts	377,823		
Perkins loan funds	383,157		
Capital projects	7,400,000		
Total	\$ 24,576,658	Total	\$ 24,576,658

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 – RECEIVABLES

Accounts Receivable

The University accounts receivable as of June 30, 2019, are summarized as follows:

Current:	
Student tuition and fees	\$ 1,194,019
Allowance for doubtful accounts	(640,464)
Federal grants and contracts	627,511
State and local grants and contracts	518,115
Sales and services of education departments	108,968
Auxiliary services	26,586
Capital reserve funds	3,476,000
Other	467,563
Net accounts receivable	<u>\$ 5,778,298</u>

The amounts shown above are reported at gross with all discounts and allowances disclosed.

The allowance for doubtful accounts for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2019, the allowance for uncollectible student accounts is valued at \$640,464.

The University is reimbursed for contractual services provided to outsourced auxiliary contractors. Reimbursements due for these services at June 30, 2019, are \$709 and are included in accounts receivable – auxiliary services.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program and the Nursing Faculty Loan Program comprise substantially all of the loans receivable as of June 30, 2019. The Perkins Loan Program and Nursing Faculty Loan Program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the US Department of Education.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the University for the year ended June 30, 2019, is summarized as follows:

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Capital assets not being depreciated:				
Land and improvements	\$ 5,165,128	\$ -	\$ -	\$ 5,165,128
Construction in progress	1,638,413	187,026	1,292,238	533,201
Art work and historical treasures	193,908	-	-	193,908
Total capital assets not being depreciated	<u>6,997,449</u>	<u>187,026</u>	<u>1,292,238</u>	<u>5,892,237</u>
Other capital assets:				
Land improvements	11,140,719	-	-	11,140,719
Buildings and improvements	125,989,191	-	-	125,989,191
Computer software	131,895	1,292,238	-	1,424,133
Machinery, equipment, and other	4,604,299	53,539	362,154	4,295,684
Vehicles	512,506	10,681	-	523,187
Total other capital assets at historical cost	<u>142,378,610</u>	<u>1,356,458</u>	<u>362,154</u>	<u>143,372,914</u>
Less accumulated depreciation for:				
Land improvements	6,189,140	562,195	-	6,751,335
Buildings and improvements	59,627,967	2,513,821	-	62,141,788
Computer software	131,895	107,686	-	239,581
Machinery, equipment, and other	3,621,858	268,640	345,718	3,544,780
Vehicles	451,218	21,696	-	472,914
Total accumulated depreciation	<u>70,022,078</u>	<u>3,474,038</u>	<u>345,718</u>	<u>73,150,398</u>
Other capital assets, net of accumulated depreciation	<u>72,356,532</u>	<u>(2,117,580)</u>	<u>16,436</u>	<u>70,222,516</u>
Capital assets, net of accumulated depreciation	<u>\$ 79,353,981</u>	<u>\$ (1,930,554)</u>	<u>\$ 1,308,674</u>	<u>\$ 76,114,753</u>

NOTE 6 – PENSION PLAN

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pensions* in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System or the Police Officers Retirement System are prescribed in paragraphs 48 through 82 of GASB 68.

The following information is provided in order to assist employers in meeting current disclosure requirements. Additional materials to assist employers in complying with GASB requirements, including an audit report on the Schedules of Employer Allocations, Schedules of Pension Amounts by Employer, and Related Notes to the Schedules are available online at <http://www.peba.sc.gov/rgasb.html>.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial

information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A

member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the

following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rates are 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates for fiscal year 2018-2019 are as follows:

SCRS

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

State ORP Employee	9.00% of earnable compensation
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PORS

Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

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Required employer contributions for fiscal year 2018-2019 are as follows:

SCRS

Employer Class Two	14.41% of earnable compensation
Employer Class Three	14.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution	14.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	16.84% of earnable compensation
Employer Class Three	16.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Benefit	0.20% of earnable compensation

Of the State ORP employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contributions remitted to the SCRS. Employer contributions to the SCRS, PORS, and State ORP pension plans from the University were \$2,729,355, \$88,828, and \$1,228,515 for the year ended June 30, 2019, respectively.

Pension Liabilities

At June 30, 2019, the University reported liabilities of \$57,992,894 and \$944,786 for its proportionate

share of the SCRS and PORS net pension liability, respectively. The net pension liability was measured as of June 30, 2018. The University's proportion of the net pension liability was based on the University's contributions to the pension plan relative to the contributions of all covered employers.

Pension Expense

For the year ended June 30, 2019, the University recognized pension expense of \$5,273,866 and \$54,340 for SCRS and PORS, respectively.

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Liability Experience	\$ 104,684	\$ 29,110
Investment Experience	921,218	18,893
Assumption Changes	2,300,834	62,294
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	379,039	-
University Contributions Subsequent to the Measurement Date	3,957,870	88,828
TOTAL	\$ 7,663,645	\$ 199,125
Deferred Inflows of Resources		
Liability Experience	\$ 341,272	\$ -
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	620,263	163,551
TOTAL	\$ 961,535	\$ 163,551

The \$3,957,870 and \$88,828 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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 for the SCRS and PORS plans, respectively:

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2020	1,893,368	(10,258)
2021	1,465,965	(13,736)
2022	(528,883)	(21,356)
2023	(86,210)	(7,904)

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Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods to calculate the TPL as of June 30, 2018.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

¹ Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA from the year 2016.

Assumptions used in the determination of the June 30, 2018, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for the University's proportionate share of SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 126,359,484	\$ 68,366,590	\$ 57,992,894	54.1%
PORS	2,553,391	1,576,365	944,786	61.7%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an

arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total expected real return	<u>100.0%</u>		<u>5.03%</u>
Inflation for actuarial purposes			<u>2.25%</u>
Total expected nominal return			<u><u>7.28%</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity Analysis

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 74,104,149	\$ 57,992,894	\$ 46,474,890
PORS	1,273,686	944,786	675,386

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans.

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans (Health Plan). The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan (LT Disability Plan).

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the SCRHITF and the SCLTDITF.

Generally, retirees are eligible for the Health Plan if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008, and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

In accordance with Act 195, the OPEB Trusts are administered by the South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits and the State Treasurer is the custodian of the funds held in

Benefits become effective when the former employee retires under a State retirement system. LT Disability Plan benefits are provided to active state, public school district, and participating local government employees approved for disability.

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Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the years ending June 30, 2019 and 2018 were 6.05 percent and 5.50 percent, respectively. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal years ended June 30, 2019 and 2018. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the

covered payroll surcharge contribution for each employer. The University paid \$1,942,739 and \$1,751,361 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2019 and 2018, respectively. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, IB's reserves and income generated from investments.

LT Disability Plan benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of \$18,502 and \$18,908 for the years ended June 30, 2019 and 2018, respectively.

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered to be a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the University's financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the University's

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“measurement date” which may not be earlier than the University’s prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date. The total OPEB liability shown in this report is based on an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date of June 30, 2018. Please see the actuarial valuation report as of June 30, 2018 for additional discussion of the actuarial valuation, including the nature of actuarial calculations and more information related to

participant data, economic and demographic assumptions, and benefit provisions.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of June 30, 2017, the latest actuarial valuation for the Health Plan/SCRHITF, is as follows:

Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00%, net of OPEB plan investment expense, including inflation
Single Discount Rate	3.62% as of June 30, 2018
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Participant Assumptions	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes	The single discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018.

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Additional information as of June 30, 2017, the latest actuarial valuation for the LTD Plan/SCLTDITF, is as follows:

Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00%, net of OPEB plan investment, including inflation
Single Discount Rate	3.91% as of June 30, 2018
Salary, Termination Rates and Retirement Rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015.
Disability Incidence	The disability incidence rates used in the LTD valuation are based on the rates developed for the pension plans.
Disability Recovery	For participants in payment, 1987 CGDT Group Disability; For active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years.
Offsets	40% are assumed to be eligible for Social Security benefits; Assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses	Third party administrative expenses are included in the benefit projections.
Notes	The single discount rate changed from 3.87% as of June 30, 2017 to 3.91% as of June 30, 2018.

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The following table represents the components of the net OPEB liability as of June 30, 2018:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Employers' Net OPEB Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 56,811,536	\$ 4,491,611	\$ 52,319,925	7.91%
SCLTDITF	101,946	93,997	7,949	92.20%

Contributions from Nonemployer Contributing Entities

According to part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to “the employer’s proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan.” Each employer’s proportionate share of the contributions from nonemployer contributing entities is provided in Appendix A of this report. As noted in question 4.200 of Implementation Guide No. 2017-3, “The employer should classify this revenue in the same manner as it classifies grants from other entities.” For the year ended June 30, 2018, the University recognized nonemployer contributions of \$394,871 in Operating Revenues, State Grants and Contracts on the Statement of Revenues, Expenses and Changes in Net Position.

Net OPEB Liability

The total OPEB liability is calculated by PEBA, IBs’ actuary, and each trust’s fiduciary net position is reported in the PEBA, IBs’ financial statements at <https://www.peba.sc.gov/assets/opeb-trusts-gasb-75-audit-report.pdf>. The net OPEB liability is disclosed in accordance with the requirements of GASB 74 in

PEBA, IBs’ notes to the financial statements and required supplementary information. Liability calculations performed by PEBA, IBs’ actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 are not applicable for other purposes, such as determining the trusts’ funding requirements.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2019, the University reported liabilities of \$52,319,925 and \$7,949 for its proportionate share of the net OPEB liabilities of the Health Plan and the LTD Plan, respectively. The net OPEB liability was measured as of June 30, 2018. The University’s proportion of the net OPEB liability was based on the University’s share of contributions to the plans relative to the contributions of all participating employers. At June 30, 2018, the University’s Health Plan and LTD Plan proportion was 0.369215% and 0.259662%, respectively.

For the year ended June 30, 2019, the University recognized net OPEB expenses of \$2,992,324 and \$20,830 for the Health Plan and LTD Plan, respectively.

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At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources as follows:

	Health Plan	LTD Plan
Deferred Outflows of Resources		
Liability Experience	\$ 783,776	\$ -
Investment Experience	200,615	4,618
Assumption Changes	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	-	-
University Contributions Subsequent to the Measurement Date	1,942,739	18,502
TOTAL	\$ 2,927,130	\$ 23,120
Deferred Inflows of Resources		
Liability Experience	\$ 18,230	\$ 486
Assumption Changes	4,260,420	518
Investment Experience	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	842,706	555
TOTAL	\$ 5,121,356	\$ 1,559

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The \$1,942,739 and \$18,502 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

Year ended June 30,	Health Plan	LTD Plan
2019	\$ (760,535)	\$ 1,121
2020	(760,535)	1,121
2021	(760,535)	1,121
2022	(782,018)	554
2023	(816,060)	(175)
Thereafter	(257,282)	(683)

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits and (2) tax-exempt municipal bond rate based on an index of 20-year general obligations with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than

several basis points (several hundredths of one percent). In addition, the plan does not intend to ever use a Single Discount Rate for GASB 74 purposes, which is less than the municipal bond rate.

A Single Discount Rate of 3.91% was used to measure the total OPEB liability for the SCLTDITF. The Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.62%. The projection of cash flows to determine the Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2040. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2040, and the municipal bond rate was applied to all benefit payments after that date.

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Long-term Expected Rate of Return for both OPEB Trusts

The target allocation and best estimates of weighted long-term real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%	5.91%	1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

Sensitivity Analysis

The following table presents the University's proportionate share of SCHITF's and SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.62% and 3.91% respectively, as well as what the University's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Health Plan	\$ 61,637,898	\$ 52,319,925	\$ 44,808,901

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1.00% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
LTD Plan	\$ 11,880	\$ 7,949	\$ 4,113

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Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the University's proportionate share of the Health Plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the Health Plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower of one percent higher.

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

Plan	1.00% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Health Plan	\$ 43,050,851	\$ 52,319,925	\$ 64,303,121

**NOTE 8 – CONTINGENCIES,
LITIGATION, AND COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had no outstanding commitments under construction contracts at June 30, 2019. The University anticipates funding construction projects out of private gifts, state capital reserve funds, state lottery funds, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$255,932 of authorized undrawn state capital improvement bonds.

NOTE 9 – UNEARNED REVENUES

Unearned revenues as of June 30, 2019, are summarized as follows:

Current:	
Student tuition and fees	\$ 712,406
Grants and contracts	150,407
Housing rentals	108,412
Net unearned revenues	\$ 971,225
Noncurrent:	
Housing rental	\$ 1,526,807
Net unearned revenues	\$ 1,526,807

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 – LEASE OBLIGATIONS

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The cost of assets held under capital leases totaled \$46,447 as of June 30, 2019. Accumulated amortization of the leases on this equipment totaled \$46,447 at June 30, 2019, resulting in a book value of \$0. Current year amortization expense on capital leases was \$9,289 and is included in depreciation expense. Interest expense on capital leases was \$222. The capital leases are with external parties. There are currently no future commitments for capital leases.

Operating Leases

During fiscal year 2019, the University paid \$92,686 for copier leases on a cost per copy basis to external

parties. The University also paid \$31,659 on equipment under cancelable operating leases, all of which was with other State agencies.

Capital Leases – Lessor

During the 2006 fiscal year, the University received a donation of a building and agreed to lease the property back to the donor for 99 years at \$1 per year. No assets or liabilities related to this transaction are reflected in the University's financial statements due to immateriality of the amounts involved.

NOTE 11 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2019.

	Interest Rates	Maturity Dates	Balance
Athletic Facilities Revenue Bonds, Series 2009A	4.98%	2020 - 2030	\$ 5,685,000

In 2010, the University issued Athletic Facilities Revenue Bonds, Series 2009A, in the amount of \$8,500,000. The proceeds of these bonds were used to construct an athletic complex. The bonds are secured by revenue derived from special student fees.

The scheduled maturities of the Athletic Facilities Revenue bonds are as follows:

Year Ended June 30,	Total Principal	Interest	Total Payments
2020	\$ 400,000	\$ 273,153	\$ 673,153
2021	420,000	252,735	672,735
2022	440,000	231,321	671,321
2023	460,000	208,911	668,911
2024	485,000	185,381	670,381
2025-2029	2,825,000	529,001	3,354,001
2030	655,000	16,310	671,310
Totals	<u>\$ 5,685,000</u>	<u>\$ 1,696,812</u>	<u>\$ 7,381,812</u>

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 – LONG-TERM LIABILITIES

Long-term liability activity of the University for the year ended June 30, 2019, is as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within One year
Bonds, note, and capital leases payable:					
Capital leases payable	\$ 9,715	\$ -	\$ 9,715	\$ -	\$ -
Bonds payable	6,065,000	-	380,000	5,685,000	400,000
Total payables	<u>6,074,715</u>	<u>-</u>	<u>389,715</u>	<u>5,685,000</u>	<u>400,000</u>
Other liabilities:					
Accrued compensated absences	1,893,801	987,747	1,005,768	1,875,780	1,129,318
Unearned housing rentals	1,743,631	-	108,412	1,635,219	108,412
Perkins federal capital contributions	1,601,088	-	10,918	1,590,170	-
Nursing loan federal capital contributions	75,883	120,875	-	196,758	-
Total other liabilities	<u>5,314,403</u>	<u>1,108,622</u>	<u>1,125,098</u>	<u>5,297,927</u>	<u>1,237,730</u>
Total long-term liabilities	<u>\$ 11,389,118</u>	<u>\$ 1,108,622</u>	<u>\$ 1,514,813</u>	<u>\$ 10,982,927</u>	<u>\$ 1,637,730</u>

NOTE 13 – ENDOWMENTS

Donor Restricted Permanent Endowments

Endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The University's endowments require that the income be used for specific purposes. These restrictions are discussed in Note 14. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment fund investments. Any net appreciation is required to be spent for the purposes for which the endowment was established.

NOTE 14 – COMPONENT UNITS

The Francis Marion University Education Foundation

As discussed in Note 1, the Education Foundation is a legally separate, tax-exempt corporation organized to supplement the resources that are available to the University in support of its programs.

Various financial activities occurred between the University and the Education Foundation. A summary of transactions and/or balances at June 30, 2019, and for the year then ended follows.

- | | |
|---|------------|
| a) Scholarships awarded by the University and funded by the Education Foundation. The University recorded these amounts as gift revenue and either tuition discounts or scholarship expense. | \$ 747,875 |
| b) Awards for lectures, grants, special programs, and certain other expenses paid by the University and funded by the Education Foundation. (Includes \$17,235 owed to the University at June 30, 2019, and included in amount due from the Education Foundation.) The University recorded these awards as gift revenue and the applicable operating expense. | \$ 50,710 |

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

- c) Personal service payments to professors holding endowed chairs made by the University and funded by the Education Foundation. The University recorded these amounts as gift revenue and salary expense. \$ 98,000

 - d) Reimbursements for University employee time and other costs paid by the University on behalf of the Education Foundation and reimbursed by the Education Foundation. The University recorded these reimbursements as reductions of the applicable operating expenses. \$ 77,838

 - e) Group life insurance premium payments made by the University and funded by the Education Foundation. (Includes \$245 owed to the University at June 30, 2019, and included in amount due from the Education Foundation.) The University recorded these amounts as gift revenue and benefits expense. \$ 3,548

 - f) Payments by the Education Foundation for the benefit of the University and its staff included \$40,951 for club memberships, \$12,982 for furniture and appliances, \$173,795 for other goods and services, \$53,707 for special events and \$57,950 for travel. The University recorded these gifts in applicable operating expenses. The University also recorded \$15,133 in non-cash capital gifts for the contribution of equipment from the Education Foundation.

 - g) The Education Foundation collected \$4,477 for revenue and taxes on behalf of the University for the faculty-alumni facility and is included in due from Education Foundation.

 - h) The University continued a loan agreement with the Education Foundation in which the University lent the Education Foundation \$200,000 (all of its endowment assets). The Education Foundation agrees to make payments to the University on behalf of the recipients of the two Palmetto Professorships. This award will be made only when the chairs are actually occupied, and any earnings above the established level shall be returned to the principal and accrue accordingly. For fiscal year 2019, the endowment lost \$2,418 which reduced the principal. As of June 30, 2019, the outstanding principal balance is \$253,264. Lending of the University's endowment resources to the Education Foundation is in accordance with Section 59-101-410 of the South Carolina Code of Laws which authorizes the governing boards of state-supported universities to lend their endowment and auxiliary enterprise monies on deposit with the State Treasurer's Office to separately chartered not-for-profit legal entities whose purpose is primarily providing financial assistance and other support to the institution and its educational program.

 - i) The Education Foundation owes \$3,405 for reimbursement of various expenses paid by the University which is included in due from Education Foundation. The University owes the Education Foundation \$62,535 for fees the Foundation advanced on behalf of students.

 - j) The Education foundation rented the Performing Arts Center for various events. At June 30, 2019, the Education Foundation owes the University \$15,070 which is included in due from Education Foundation.
-

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Cash and Cash Equivalents, Deposits, and Investments

Cash and cash equivalents of the Education Foundation include interest bearing money market accounts and short-term investments with an original maturity of three months or less. The Education

Foundation maintains its cash balances in various financial institutions. As of December 31, 2018, there were uninsured amounts at the institutions of \$9,081,946.

A summary of investments as of December 31, 2018, follows:

Equity securities	8,328,998
Corporate bonds	<u>5,245,909</u>
Total	<u><u>\$ 13,574,907</u></u>

Financial instruments which potentially subject the Education Foundation to concentration of credit risk consist principally of investments in various debt securities. The exposure to concentrations of credit risk relative to investments is limited due to the Education Foundation's investment objectives and policies, as adopted by its Board of Directors.

Contributions Receivable

Contributions receivable of the Education Foundation, which consist of unconditional promises to give adjusted for a discount commensurate with the risk involved in the delay of collection and an allowance for uncollectible receivables, as of December 31, 2018, are summarized as follows:

Unconditional promises expected to be collected in:	
Less than one year	\$ 279,464
One year to five years	<u>255,862</u>
	535,326
Less discounts to net present value	30,000
Less allowance for uncollectible contributions	<u>21,679</u>
Net contributions receivable	<u><u>\$ 483,647</u></u>

The allowance is determined based upon management's judgment considering past history of write-offs. The discount for present value was the effective earnings rate of 4.5%.

Assets Held in Trust by Others

The Education Foundation has a 30% interest in a permanent trust created by an estate. The ownership in this trust was valued at \$620,852 at December 31, 2018.

The Education Foundation has a 100% interest in a charitable remainder unitrust. The ownership in this trust was valued at \$289,983 at December 31, 2018.

The Education Foundation is to receive \$627 per month for the next 37 months under an annuity donated during the year ended December 31, 2015. The value of this annuity is valued at \$6,073 at December 31, 2018.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Property and Equipment

Property and equipment of the Education Foundation as of December 31, 2018, consists of the following:

Land	\$ 233,900
Building and improvements	2,420,100
Furniture and equipment	<u>79,056</u>
	2,733,056
Less accumulated depreciation	<u>438,937</u>
Property and equipment, net	<u><u>\$ 2,294,119</u></u>

Depreciation expense of \$39,207 was recognized for the period ended December 31, 2018.

Other Assets

Included in other assets is the Education Foundation's ownership in various parcels of real estate that are held with the intent to sell or for future use and is reported at carrying value of \$1,838,595 as of December 31, 2018.

In addition, the Education Foundation has ownership in the cash surrender value of a life insurance policy valued at \$752 as of December 31, 2018.

Debt

The Education Foundation has entered into debt agreements for which outstanding balances as of December 31, 2018, are as follows:

Note with the University requiring interest at the earnings rate of the Education Foundation's Investment Pools. Interest is accrued to principal annually. Principal is due on demand.	\$ 247,273
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The Education Foundation is required to make quarterly installments of \$34,370 on JEDA bonds outstanding, which includes principal and interest at the rate of 4.75% with the remaining principal due on demand at the August 1, 2022 maturity date.	469,699
	<u><u>\$ 716,972</u></u>

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The minimum principal maturities of the debt outstanding are as follows:

Year Ending December 31,		
2019	\$	364,510
2020		122,905
2021		128,848
2022		100,709
	<u>\$</u>	<u>716,972</u>

Leases as Lessor

The Education Foundation entered into leases of space within its office building for a twelve month period ending December 31, 2018. The leases allow automatic renewal unless notification is provided by the tenant. The largest tenant of the building is the University. The Education Foundation recognized \$49,995 in rent revenue from these lease obligations of which \$24,995 was from the University.

The Education Foundation agreed to lease a building to the University for a twelve month period ending June 30, 2019. The lease allows automatic renewal unless notification is provided by the tenant. The lease is for \$1 annually.

The Francis Marion University Development Foundation

As discussed in Note 1, The Development Foundation is operated for the benefit of the University to acquire and operate housing facilities and other real property. The FMU Student Housing, LLC (LLC), a single member limited liability company owned by the Development Foundation, leases all the University's on-campus housing, composed of fourteen apartment style facilities and six dormitory

style facilities having an aggregate of 1,112 beds and 8.96 acres of land for their 427 bed apartment complex. The lease agreement provides for the University to be paid any net available cash flow from the operation less any amount agreed upon by the University and the LLC. The determination of net available cash flow requires the LLC's annual audit to be completed with financial statements indicating a debt service coverage ratio of at least 1.25 and that all expenses, debt service, and deposits to the repair and replacement fund have occurred in accordance with bond documents. Rental income from housing operations for fiscal year 2019 is \$108,412, a portion of the advanced rent paid by the Development Foundation in 2004, and an additional rental payment of \$125,000 from available net cash flow. The Development Foundation records the prepayment as prepaid rent and the University records the advance as deferred housing revenue. These amounts are amortized over the life of the Development Foundation's 2004A bond issue.

A summary of other financial activities that occurred between the University and the Development Foundation for the year ended June 30, 2019, follows:

-
-
- a) The University collects as part of its student fee collection process student housing fees and fines. All collections are remitted to the LLC. Collections due to the LLC at June 30, 2019, are \$138,103 and are included in due to Francis Marion University Development Foundation.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

- b) The University provides the LLC management services related to the student housing facilities. This agreement continues for successive one year terms unless either the LLC or the University elects to terminate in writing. The negotiated fee is currently \$135,000. Under this agreement, the University pays for expenses related to the housing operation and summer repairs and is reimbursed by the LLC. The LLC pays the reimbursement in advance and at June 30, 2019, the unspent portion of \$893,843 was recorded as deposits held for Francis Marion University Development Foundation.
- c) Reimbursements for University employee time paid by the University on behalf of the Development Foundation were \$29,951. The University recorded these reimbursements as reductions of the applicable operating expenses.
- d) The Development Foundation paid \$207,226 for various supplies and contractual services on behalf of the University. The University recorded these gifts as applicable operating expenses. The Development Foundation also made a cash donation to the University of \$25,604 for academic support.
- e) The Development Foundation paid \$113,433 to the University for internet and wireless internet service support for student housing. The University recorded this support as other revenue.

Cash and Cash Equivalents

The Development Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Development Foundation maintains several bank accounts at two financial institutions. As of June 30, 2019, there were uninsured amounts at the institutions of \$5,499,081.

Property and Equipment

Property and equipment of the Development Foundation as of June 30, 2019, consists of the following:

Construction in progress	\$ 1,044,560
Building	17,068,086
Signs	20,000
Furniture and equipment	391,915
Leasehold improvements	572,315
Land improvements	135,415
	19,232,291
Less accumulated depreciation	6,236,438
Property and equipment, net	\$ 12,995,853

Depreciation expense for the year ended June 30, 2019, was \$445,823.

Bonds Payable

Pursuant to a loan agreement between the South Carolina Jobs – Economic Development Authority and the LLC, the Development Authority issued \$15,665,000 of Series A and \$335,000 of Series B bonds. The bonds were loaned to the LLC for purposes of acquiring a leasehold interest from the University in existing student housing, to provide funds for the acquisition, construction and furnishing of a 237 bed student housing facility, to fund interest on

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

the Series A and B bonds during the construction period, to fund the costs of marketing the housing facilities, to provide working capital for the facilities, to fund the Series A Debt Service Reserve Fund and to pay the costs of issuance of the Series A and B bonds.

On December 1, 2006, the loan agreement was amended to include the issuance of an additional \$10,465,000 of Series A bonds and \$280,000 of additional Series B bonds.

On November 1, 2014, the loan agreement was amended to include the issuance of an additional \$12,575,000 of Series A bonds and \$85,000 of Series B bonds whose proceeds were used to redeem the 2004 Series A bonds and pay for 2014 Series A and B issuance costs. All \$13,165,000 outstanding Series A bonds were redeemed on December 15, 2014.

A summary of bonds payable as of June 30, 2018, is as follows:

Series	Original Face Amount	Interest Rates	Final Maturity Dates	Unpaid Principal Balance	Due Within One Year
2006A	\$ 10,465,000	3.50 - 4.375 %	8/1/2037	\$ 8,335,000	\$ 295,000
2014A	12,575,000	3.00 - 5.00 %	8/1/2034	10,990,000	475,000
Less unamortized discount on 2006A				(117,924)	(9,339)
Plus unamortized premium on 2014A				426,887	72,689
Less unamortized debt issuance cost					
Series 2006A				(367,996)	(33,363)
Series 2014A				(213,709)	(23,632)
Total Bonds Payable				<u>\$ 19,052,258</u>	<u>\$ 776,355</u>

The Series 2006A bonds maturing after August 1, 2017, are redeemable at the option of the issuer upon written request of the LLC on or after August 1, 2016, in whole or in part at a redemption price equal to 100% of the principal amount thereof plus accrued interest. The Series 2014A bonds maturing after August 1, 2025, are redeemable at the option of the

issuer upon the written request of the LLC on or after August 1, 2024, in whole or in part at a redemption price of 100% of principal amount thereof plus accrued interest. Interest payments on all bonds are due semiannually.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Final maturities of bonds payable are as follows:

Year Ending June 30,	Series 2006A	Series 2014A
2020	\$ 295,000	475,000
2021	305,000	490,000
2022	320,000	510,000
2023	330,000	535,000
2024	345,000	565,000
2025-2029	1,965,000	3,275,000
2030-2034	2,425,000	4,185,000
2035-2038	2,350,000	955,000
	\$ 8,335,000	\$ 10,990,000

Total interest expense during the year ended June 30, 2019, was \$869,581.

The Development Foundation has no obligation under this loan agreement.

NOTE 15 – RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits

Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Business interruptions
- Natural disasters
- Medical malpractice claims against covered employees

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 16 – EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2019, are summarized as follows:

	Salaries and Wages	Benefits	Supplies and other Services	Utilities	Scholarships	Depreciation	Total
Instruction	\$ 18,024,629	\$ 7,761,965	\$ 2,453,091	\$ 40,244	\$ -	\$ -	\$ 28,279,929
Research	174,025	52,583	54,280	-	-	-	280,888
Public service	974,507	387,219	904,083	6,984	-	-	2,272,793
Academic support	2,467,306	999,981	1,811,997	10,084	-	-	5,289,368
Student services	3,222,379	1,426,529	1,823,307	17,077	-	-	6,489,292
Institutional support	4,130,427	1,923,286	2,324,605	(19,354)	-	-	8,358,964
Operation and maintenance of plant	3,535,633	1,837,560	3,739,714	2,548,054	-	-	11,660,961
Depreciation	-	-	-	-	-	3,474,038	3,474,038
Scholarships	-	-	-	-	3,800,908	-	3,800,908
Auxiliary Enterprises	6,011	-	225,654	132,551	-	-	364,216
Total operating expenses	\$ 32,534,917	\$ 14,389,123	\$ 13,336,731	\$ 2,735,640	\$ 3,800,908	\$ 3,474,038	\$ 70,271,357

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 17 – STATE APPROPRIATIONS

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the fiscal year ended June 30, 2019:

NON-CAPITAL APPROPRIATIONS	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	\$ 16,219,161
Supplemental Appropriations	
Health and Dental Insurance	157,458
SCRS & PORS .50% increase	110,108
From Commission on Higher Education:	
Academic Incentive Endowment Match	4,527
SCDE-Education Improvement Act	350,000
SC Education Lottery - Technology Program	260,984
Total non-capital appropriations recorded as current year revenue	<u>\$ 17,102,238</u>
CAPITAL APPROPRIATIONS	
Current year's capital appropriations	
Capital Projects - Honors Learning Center - Proviso 118.15	\$ 2,100,000
Capital Projects - Health Science Classroom - Proviso 118.15	5,000,000
Capital Projects - Health Science Classroom - State CMR Fund	3,000,000
Total capital appropriations recorded as current year revenue	<u>\$ 10,100,000</u>

NOTE 18 – NONOPERATING FEDERAL GRANTS

Nonoperating Federal grants for the year ended June 30, 2019, are summarized as follows:

Federal Pell Grant Program - 2018	\$ 65,440
Federal Pell Grant Program - 2019	8,817,848
Total	<u>\$ 8,883,288</u>

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability

South Carolina Retirement System

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
University's proportion of the net pension liability	0.259%	0.256%	0.258%	0.267%	0.267%
University's proportionate share of the net pension liability	\$ 57,992,894	\$ 57,712,785	\$ 55,053,524	\$ 50,695,304	\$ 45,996,784
University's covered-employee payroll	\$ 31,381,411	\$ 31,200,203	\$ 30,197,569	\$ 30,294,848	\$ 29,363,903
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.80%	184.98%	182.31%	167.34%	156.64%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%	59.9%

Schedule of Proportionate Share of the Net Pension Liability

Police Officers Retirement System

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
University's proportion of the net pension liability	0.033%	0.038%	0.040%	0.047%	0.048%
University's proportionate share of the net pension liability	\$ 944,786	\$ 1,045,800	\$ 1,006,397	\$ 1,024,407	\$ 910,176
University's covered-employee payroll	\$ 461,517	\$ 514,080	\$ 505,826	\$ 582,289	\$ 571,819
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	204.71%	203.43%	198.96%	175.93%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	60.9%	60.4%	64.6%	67.5%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University Contributions

South Carolina Retirement System

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Contractually required contribution	\$ 3,957,870	\$ 3,636,425	\$ 2,990,358	\$ 2,760,486	\$ 2,653,859
Contribution in relation to the					
Contractually required contribution	<u>(3,957,870)</u>	<u>(3,636,425)</u>	<u>(2,990,358)</u>	<u>(2,760,486)</u>	<u>(2,653,859)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
University's covered employee payroll	\$ 31,596,149	\$ 31,381,411	\$ 31,200,203	\$ 18,610,265	\$ 18,890,952
Contributions as a portion of covered employee payroll	12.53%	11.59%	9.58%	14.83%	14.05%

Schedule of University Contributions

Police Officers Retirement System

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Contractually required contribution	\$ 88,828	\$ 74,950	\$ 73,191	\$ 69,500	\$ 78,085
Contribution in relation to the					
Contractually required contribution	<u>(88,828)</u>	<u>(74,950)</u>	<u>(73,191)</u>	<u>(69,500)</u>	<u>(78,085)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
University's covered employee payroll	\$ 515,241	\$ 461,517	\$ 514,080	\$ 505,825	\$ 582,289
Contributions as a portion of covered employee payroll	17.24%	16.24%	14.24%	13.74%	13.41%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Retiree Health Insurance Trust Fund

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
University's proportion of the net pension liability	0.369%	0.376%	0.376%
University's proportionate share of the net pension liability	\$ 52,319,925	\$ 50,906,099	\$ 54,378,034
University's covered-employee payroll	\$ 31,840,088	\$ 31,693,465	\$ 30,703,394
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.32%	160.62%	177.11%
Plan fiduciary net position as a percentage of the total pension liability	7.91%	7.60%	7.60%

Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Long Term Disability Insurance Trust Fund

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
University's proportion of the net pension liability	0.260%	0.258%	0.258%
University's proportionate share of the net pension liability	\$ 7,949	\$ 4,685	\$ 1,794
University's covered-employee payroll	\$ 31,840,088	\$ 31,693,465	\$ 30,703,394
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.02%	0.01%	0.01%
Plan fiduciary net position as a percentage of the total pension liability	92.20%	95.29%	95.29%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

FRANCIS MARION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

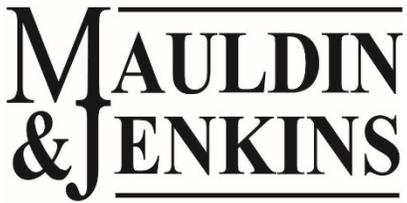
Schedule of University Contributions
South Carolina Retiree Health Insurance Trust Fund

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Contractually required contribution	\$ 1,942,739	\$ 1,751,361	\$ 1,689,262
Contribution in relation to the			
Contractually required contribution	(1,942,739)	(1,751,361)	(1,689,262)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 32,111,390	\$ 31,842,928	\$ 31,693,465
Contributions as a portion of covered employee payroll	6.05%	5.50%	5.33%

Schedule of University Contributions
South Carolina Long Term Disability Insurance Trust Fund

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Contractually required contribution	\$ 18,502	\$ 18,908	\$ 18,705
Contribution in relation to the			
Contractually required contribution	(18,502)	(18,908)	(18,705)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 32,111,390	\$ 31,842,928	\$ 31,693,465
Contributions as a portion of covered employee payroll	0.06%	0.06%	0.06%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.



**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**

**To the Members of the Board of Trustees
of Francis Marion University
Florence, South Carolina**

We have audited, 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, the financial statements of **Francis Marion University** (the "University"), a component unit of the State of South Carolina, as of and for the 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 September 19, 2019. Our report includes a reference to other auditors who audited the financial statements of the Francis Marion University Education Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Francis Marion University Education Foundation and Francis Marion University Development Foundation were not audited in accordance with *Government Auditing Standards*.

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 the 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 entity'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.

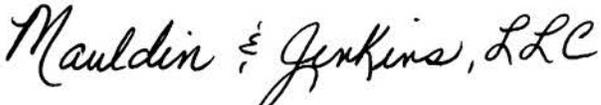
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

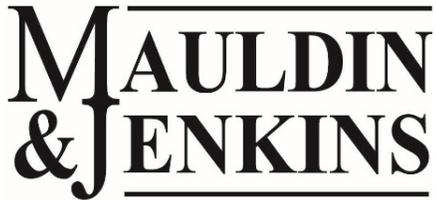
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
September 19, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Members of the Board of Trustees
of Francis Marion University
Florence, South Carolina**

Report on Compliance for Each Major Federal Program

We have audited **Francis Marion University's** (the "University"), a component unit of the State of South Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The University's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 19, 2019

**FRANCIS MARION UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30 , 2019**

Federal Grantor/Program Title	Federal CFDA Number	Grant/Contract Number	Total Expenditures
Direct Programs:			
Student Financial Assistance Cluster			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grant	84.007	P007A173784	\$ 206,966
Federal Direct Student Loans - 2019	84.268	P268K183163	25,144,425
Federal Work Study Program - 2019	84.033	P033A173784	136,539
Federal Perkins Loan Program - Federal Capital Contributions	84.038	P038A053784	1,729,230
Federal Pell Grant Program - 2019	84.063	P063P173163	8,817,848
Federal Pell Grant Program - 2018	84.063	P063P163163	65,440
Total U.S. Department of Education			<u>36,100,448</u>
U.S. Department of Health and Human Services			
Nursing Faculty Loan Program	93.264	EO1HP30339	159,448
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	T08HP30146-02-00	576,763
Total U.S. Department of Health and Human Services			<u>736,211</u>
Total Student Financial Assistance Cluster			<u>36,836,659</u>
U.S. Department of Health and Human Services			
Advanced Nursing Education Workforce	93.247	T94HP30907-01-00	577,638
Nursing Workforce Diversity	93.178	D19HP30845-01-00	448,743
U.S. Department of Veterans Affairs			
Post-9/11 GI Bill - Chapter 33 - Veterans Benefit Administration	64.028	36-0137-0-1-702	476,760
National Science Foundation			
Education and Human Resources	R&D 47.076	1524493	37,783
Total Direct Programs			<u>38,377,583</u>
Indirect Programs:			
National Aeronautics and Space Administration			
Passed through The College of Charleston Education	43.008	NNX15AL49H	1,500
U.S. Department of Education			
Passed Through South Carolina Commission on Higher Education Gaining Early Awareness & Readiness for Undergrad. Programs	84.334S	P334S110019	7,983
U.S. Department of Health and Human Services			
Passed through University of South Carolina Biomedical Research and Research Training	R&D 93.859	5P20GM103499-17	197,981
Passed through SC Developmental Disabilities Council Developmental Disabilities Basic Support and Advocacy Grants	93.630	07-21-0001	3,928
Passed through SC DHHS Purchase and Provision of Medical Assistance-Year 5	99.999	A201911073A	1,437,547
U.S. Department of Justice			
Passed through SC Department of Public Safety FMU Police Department Communications Grant	16.738	1G18015	59,400
Total Indirect Programs			<u>1,708,339</u>
Total Federal Assistance			<u>\$ 40,085,922</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Francis Marion University and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS) earnings, certain other federal financial aid for students and administrative cost allowances, where applicable. The University elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 – LOAN PROGRAMS

The Direct Loan Program provides loans to students and their parents. The loans are made directly from the federal government; therefore there is no loan balance recorded at the University. The totals of loans processed for the current fiscal year are:

Direct Student Loan - Subsidized	\$ 7,210,792
Direct Student Loan - Unsubsidized	12,389,443
PLUS	<u>5,544,190</u>
Total	<u><u>\$ 25,144,425</u></u>

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was \$1,403,991 as of June 30, 2019. The expenditures for June 30, 2019 are calculated as follows:

June 30, 2018 loan balance	\$ 1,729,230
Current year loans made	<u>-</u>
Total	<u><u>\$ 1,729,230</u></u>

The Nurse Faculty Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Nurse Faculty Loan Program was \$156,692 as of June 30, 2019. The expenditures for June 30, 2019 are calculated as follows:

June 30, 2018 loan balance	\$ 83,275
Current year loans made	<u>76,173</u>
Total	<u><u>\$ 159,448</u></u>

FRANCIS MARION UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Aid Cluster:
84.268	Federal Supplemental Educational Opportunity Grant
84.033	Federal Direct Student Loans
84.038	Federal Work Study Program
84.063	Federal Perkins Loan Program
93.264	Federal Pell Grant Program
93.925	Nursing Faculty Loan Program
	Scholarships for Health Profession Students from Disadvantaged Backgrounds

FRANCIS MARION UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
SCHEDULE OF PRIOR YEAR FINDINGS

2018-001 Exit Counseling

Condition: The University did not notify certain students of the availability and opportunity to complete exit counseling within 30 days of determining that the students withdrew or were no longer attending the University.

Status: In the previous year, exit counseling notifications were handled by a third-party servicer. Subsequent to the issues identified during the audit, these functions were brought in-house to be handled by the Office of Financial Assistance. This issue was corrected during the current year.