



**FIT STUDENT ASSOCIATION**  
(A Subdivision of the Fashion Institute of Technology)  
Financial Statements  
June 30, 2022 and 2021  
(With Independent Auditors' Report Thereon)

**FIT STUDENT ASSOCIATION**  
(A Subdivision of the Fashion Institute of Technology)

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## Independent Auditors' Report

The Board of Trustees  
Fashion Institute of Technology:

### *Opinion*

We have audited the financial statements of the Fashion Institute of Technology Student Association (FITSA), a subdivision of the Fashion Institute of Technology (FIT), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise FITSA's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the FITSA, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FITSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in note 1, the financial statements of FITSA are intended to present the financial position, the changes in financial position, and cash flows of only that portion of FIT that is attributable to the transactions of FITSA. They do not purport to, and do not, present fairly the financial position of FIT as of June 30, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FITSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

*Required Supplementary Information*

Management has omitted management's discussion and analysis and the schedule of changes in total other postemployment benefit liability and related ratios that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*KPMG LLP*

New York, New York  
December 12, 2022

**FIT STUDENT ASSOCIATION**  
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Statements of Net Position

June 30, 2022 and 2021

|  | <b>2022</b>         | <b>2021</b>      |
|--|---------------------|------------------|
| Assets:  |                     |                  |
| Current assets:                                |                     |                  |
| Cash and cash equivalents                      | \$ 31,478           | 22,788           |
| Claim on pooled cash (note 2(b))               | 3,542,106           | 3,024,052        |
| Prepaid expenses and deposits                  | 26,048              | 3,603            |
| Total assets                                   | <b>3,599,632</b>    | <b>3,050,443</b> |
| Deferred outflows of resources:                |                     |                  |
| Deferred amounts related to OPEB (note 7)      | 305,631             | 332,731          |
| Liabilities:                                   |                     |                  |
| Current liabilities:                           |                     |                  |
| Accounts payable and accrued expenses (note 3) | 295,646             | 92,914           |
| Total current liabilities                      | <b>295,646</b>      | <b>92,914</b>    |
| Noncurrent liabilities (note 4):               |                     |                  |
| Accrued vacation and sick leave                | 316,488             | 276,840          |
| Total OPEB liability (note 7)                  | 697,693             | 1,258,876        |
| Total noncurrent liabilities                   | <b>1,014,181</b>    | <b>1,535,716</b> |
| Total liabilities                              | <b>1,309,827</b>    | <b>1,628,630</b> |
| Deferred inflows of resources:                 |                     |                  |
| Deferred amounts related to OPEB (note 7)      | 738,731             | 115,117          |
| Net position:                                  |                     |                  |
| Restricted expendable (note 5)                 | 1,856,705           | 1,639,427        |
| Total net position                             | <b>\$ 1,856,705</b> | <b>1,639,427</b> |

See accompanying notes to financial statements.

**FIT STUDENT ASSOCIATION**

(A Subdivision of the Fashion Institute of Technology)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

|                                       | <u>2022</u>         | <u>2021</u>      |
|---------------------------------------|---------------------|------------------|
| Operating revenues:                   |                     |                  |
| Student fees:                         |                     |                  |
| Student activities                    | \$ 968,879          | —                |
| Student health services               | 2,403,163           | 2,422,455        |
| Recreation and athletics              | 941,141             | —                |
| Total student fees                    | <u>4,313,183</u>    | <u>2,422,455</u> |
| Earned income:                        |                     |                  |
| Student clubs                         | 160,042             | 8,528            |
| Recreation and athletics              | 404                 | 25,774           |
| Student health services               | —                   | 95               |
| Total earned income                   | <u>160,446</u>      | <u>34,397</u>    |
| Total operating revenues              | <u>4,473,629</u>    | <u>2,456,852</u> |
| Operating expenses:                   |                     |                  |
| Student activities:                   |                     |                  |
| Administration                        | 101,761             | 117,888          |
| College-wide programs                 | 80,385              | 249,868          |
| Clubs                                 | 385,468             | 88,674           |
| Total student activities              | <u>567,614</u>      | <u>456,430</u>   |
| Student health services:              |                     |                  |
| Administration                        | 3,220,531           | 2,128,066        |
| Total student health services         | <u>3,220,531</u>    | <u>2,128,066</u> |
| Recreation and athletics:             |                     |                  |
| Athletics                             | 415,799             | 137,419          |
| Recreation                            | 124,200             | 31,280           |
| Total recreation and athletics        | <u>539,999</u>      | <u>168,699</u>   |
| Total operating expenses              | <u>4,328,144</u>    | <u>2,753,195</u> |
| Net operating income (loss)           | 145,485             | (296,343)        |
| Nonoperating revenue:                 |                     |                  |
| Grants from FIT (notes 2(j) and 5)    | 66,949              | 218,813          |
| Allocated interest income (note 2(h)) | 4,844               | 17,665           |
| Increase (decrease) in net position   | 217,278             | (59,865)         |
| Net position, beginning of year       | <u>1,639,427</u>    | <u>1,699,292</u> |
| Net position, end of year             | <u>\$ 1,856,705</u> | <u>1,639,427</u> |

See accompanying notes to financial statements.

**FIT STUDENT ASSOCIATION**  
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Statements of Cash Flows

Years ended June 30, 2022 and 2021

|  | <b>2022</b>  | <b>2021</b> |
|--|--------------|-------------|
| Cash flows from operating activities:  |              |             |
| Cash received from student fees  | \$ 4,313,183 | 2,422,455   |
| Cash received from other operating activities  | 138,001      | 35,020      |
| Cash paid for other than personal services   | (2,056,537)  | (1,332,146) |
| Cash paid for employee salaries and benefits   | (1,939,696)  | (1,706,523) |
| Net cash provided by (used in) operating activities  | 454,951      | (581,194)   |
| Cash flows from investing activities:  |              |             |
| Interest income  | 4,844        | 17,665      |
| Claim on pooled cash   | (518,054)    | 345,894     |
| Net cash (used in) provided by investing activities  | (513,210)    | 363,559     |
| Cash flows from financing activities:  |              |             |
| Grants from FIT  | 66,949       | 218,813     |
| Net cash provided by financing activities  | 66,949       | 218,813     |
| Net increase in cash and cash equivalents  | 8,690        | 1,178       |
| Cash and cash equivalents, beginning of year   | 22,788       | 21,610      |
| Cash and cash equivalents, end of year   | \$ 31,478    | 22,788      |
| Reconciliation of net operating loss to net cash provided by (used in) operating activities: |              |             |
| Net operating income (loss)  | \$ 145,485   | (296,343)   |
| Changes in assets and liabilities:   |              |             |
| Prepaid expenses and deposits  | (22,445)     | 623         |
| Accounts payable and accrued expenses  | 202,732      | 28,111      |
| Noncurrent liabilities, net of deferred amounts  | 129,179      | (313,585)   |
| Net cash provided by (used in) operating activities  | \$ 454,951   | (581,194)   |

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

**(1) Organization and Nature of Activities**

FIT Student Association (FITSA) provides social, athletic, and cultural activities and health services for the students at the Fashion Institute of Technology (the College or FIT). FIT is a community college under the program of the State University of New York (SUNY). FITSA is a subdivision of FIT and is not a separate legal entity, and as such, FITSA's financial account balances have been included with those of the College.

The accompanying basic financial statements of FIT Student Association include only the activity of FITSA and do not purport to, and do not, present fairly the financial position of the College as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended.

SUNY and FIT are governmental subdivisions of the State of New York (the State). As a subdivision of the State, FIT is exempt from federal income taxes under Section 115 of the Internal Revenue Code and a similar provision of the State income tax laws.

**(2) Summary of Significant Accounting Policies**

*Measurement Focus and Basis of Accounting*

For financial reporting purposes, FITSA is considered a special purpose government engaged only in business type activities. Accordingly, FITSA's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles generally, as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

**(a) Cash and Cash Equivalents**

Cash and cash equivalents are comprised of highly liquid investments with original maturities of 90 days or less.

**(b) Pooled Cash**

The College utilizes a pooled cash model for handling the cash management of the College and its auxiliary corporations and subdivision (FIT Student Housing Corporation, FITSA, and FIT Student Faculty Corporation). Under the pooled cash model, all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs is maintained as pooled short term investments in the College's name. The short term investments consist of money market funds. The College's accounting system continually tracks each auxiliary corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year end, FITSA's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.

**(i) Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As the claim on pooled cash is from the College's operating bank accounts, the custodial credit risk is at the College.

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*(ii) Cash Deposits*

The College's cash and cash equivalents are maintained in interest bearing checking accounts. All cash and investments are held in Federal Deposit Insurance Corporation (FDIC) insured commercial banks and are insured or collateralized with securities held by the College or its agent in the College's name.

*(iii) Investments*

The College's cash balances are invested in commercial bank flexible certificates of deposit. All investments are insured or collateralized with securities held by the College or its agent in the College's name.

**(c) Noncurrent Liabilities**

Noncurrent liabilities include estimated amounts of unpaid vacation and sick leave that will not be paid within the next fiscal year and the other postemployment benefits (OPEB) liability.

**(d) OPEB Liability**

FITSA recognizes its total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75). GASB No. 75 addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. FITSA's OPEB plan is classified as a single-employer defined benefit plan under GASB No. 75 and is unfunded.

**(e) Accrued Vacation and Sick Leave**

FITSA records the estimated value of earned unused sick and vacation pay as a noncurrent liability based on vesting method. Under this method, vacation is vested when earned for all employees, and sick pay is vested once an employee reaches age 55 and has been employed by the College for the required amount of time stipulated under the College's retirement policies. Employees accrue sick leave based on the number of years employed up to a maximum rate of 17 days per year. Employees also receive annual vacation leave ranging from 20 days to 50 days and may accumulate up to a maximum of one year's entitlement. Any unused vacation pay is payable upon retirement or termination. Accumulated sick leave is forfeited, unless an employee retires and has been employed the required amount of time, in which case 100% of the accrual is paid up to a maximum of 100 days.

**(f) Net Position**

FITSA classifies all of its net position as expendable restricted. FITSA's net position is legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

**(g) Classification of Revenues and Expenses**

FITSA's policy for defining operating activities in the accompanying statements of revenues, expenses, and changes in net position are those that serve FITSA's principal purpose and generally result from student activity fees collected. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as allocated interest income and grants from FIT. FITSA classifies all expenses as operating in the statements of revenues, expenses, and changes in net position.

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**(h) Allocated Interest Income**

On a monthly basis, interest income earned on the College's pooled short term investments is allocated to all auxiliary corporations and subdivision based on their average daily claim on cash balance during the month. In fiscal years 2022 and 2021, FITSA recognized \$4,844 and \$17,665, respectively, in allocated interest income.

**(i) Use of Estimates**

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

**(j) Current Economic Conditions**

The COVID-19 pandemic has had a significant impact on the College's operations. In fiscal 2021, the campus remained closed due to the continued impact of the COVID-19 pandemic. With no activities on campus, the College did not charge fees for student activities or recreation and athletics. The College did charge fees for student health services as it remained open and available for student services and COVID-19 testing and vaccinations. Between January 2021 and May 2021, the College was awarded \$27,192,072 of Higher Education Emergency Relief (HEERF) funding for student and institutional aid. As of June 30, 2022, a portion of these funds have been drawn down by the College as a reimbursement for costs incurred in response to COVID-19, which includes cost for testing and vaccinations. The College allocated \$218,813 of the HEERF funding to FITSA to cover the cost of testing, vaccinations and other costs associated with COVID-19.

In fiscal 2022, the campus resumed normal operations. The College allocated \$66,949 of the HEERF funding to FITSA to cover the cost of testing, vaccinations and other costs associated with COVID-19.

**(3) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of June 30, 2022 and 2021 consist of the following:

|                    | <b>2022</b> | <b>2021</b> |
|--------------------|-------------|-------------|
| Vendors and other  | \$ 60,114   | 60,844      |
| Accrued audit fees | 18,000      | 17,250      |
| Accrued payroll    | 217,532     | 14,820      |
|                    | \$ 295,646  | 92,914      |

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**(4) Noncurrent Liabilities**

A summary of changes in noncurrent liabilities for the years ended June 30, 2022 and 2021 is as follows:

|                                 |    | <b>2022</b>                  |                  |                   |                           |                                |
|---------------------------------|----|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
|                                 |    | <b>Beginning<br/>balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance</b> | <b>Due within<br/>one year</b> |
| Accrued vacation and sick leave | \$ | 276,840                      | 57,753           | (18,105)          | 316,488                   | —                              |
| Total OPEB liability            |    | 1,258,876                    | —                | (561,183)         | 697,693                   | —                              |
|                                 |    | \$ 1,535,716                 | 57,753           | (579,288)         | 1,014,181                 | —                              |
|                                 |    | <b>2021</b>                  |                  |                   |                           |                                |
|                                 |    | <b>Beginning<br/>balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance</b> | <b>Due within<br/>one year</b> |
| Accrued vacation and sick leave | \$ | 251,935                      | 38,682           | (13,777)          | 276,840                   | —                              |
| Total OPEB liability            |    | 1,145,013                    | 113,863          | —                 | 1,258,876                 | —                              |
|                                 |    | \$ 1,396,948                 | 152,545          | (13,777)          | 1,535,716                 | —                              |

**(5) Net Position**

In accordance with current directives, excess student activity, recreation and athletics, and student health service fees collected over expenses incurred are carried forward for use by student activities and student health services in subsequent years. The related net position by function for the years ended June 30, 2022 and 2021 is as follows:

|   |    | <b>2022</b>                   |                                    |                                     |              |
|---|----|-------------------------------|------------------------------------|-------------------------------------|--------------|
|   |    | <b>Student<br/>activities</b> | <b>Student<br/>health services</b> | <b>Recreation<br/>and athletics</b> | <b>Total</b> |
| Net position (deficit), beginning of year | \$ | 1,211,482                     | (30,714)                           | 458,659                             | 1,639,427    |
| Add revenues:                             |    |                               |                                    |                                     |              |
| Student fees                              |    | 968,879                       | 2,403,163                          | 941,141                             | 4,313,183    |
| Earned income                             |    | 160,042                       | —                                  | 404                                 | 160,446      |
| Grant from FIT                            |    | —                             | 66,949                             | —                                   | 66,949       |
| Allocated interest income                 |    | 2,023                         | 1,916                              | 905                                 | 4,844        |
| Total revenues                            | \$ | 1,130,944                     | 2,472,028                          | 942,450                             | 4,545,422    |

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Notes to Financial Statements

June 30, 2022 and 2021

| <b>2022</b>                               |    |                           |                                |                                 |              |
|---|----|---------------------------|--------------------------------|---------------------------------|--------------|
|   |    | <b>Student activities</b> | <b>Student health services</b> | <b>Recreation and athletics</b> | <b>Total</b> |
| Less expenses:                            |    |                           |                                |                                 |              |
| Operating and programming                 | \$ | 567,614                   | 3,220,531                      | 539,999                         | 4,328,144    |
| Total expenses                            |    | 567,614                   | 3,220,531                      | 539,999                         | 4,328,144    |
| Net results                               |    | 563,330                   | (748,503)                      | 402,451                         | 217,278      |
| Net position (deficit), end of year       | \$ | 1,774,812                 | (779,217)                      | 861,110                         | 1,856,705    |
| <b>2021</b>                               |    |                           |                                |                                 |              |
|   |    | <b>Student activities</b> | <b>Student health services</b> | <b>Recreation and athletics</b> | <b>Total</b> |
| Net position (deficit), beginning of year | \$ | 1,652,431                 | (552,343)                      | 599,204                         | 1,699,292    |
| Add revenues:                             |    |                           |                                |                                 |              |
| Student fees                              |    | —                         | 2,422,455                      | —                               | 2,422,455    |
| Earned income                             |    | 8,528                     | 95                             | 25,774                          | 34,397       |
| Grant from FIT                            |    | —                         | 218,813                        | —                               | 218,813      |
| Allocated interest income                 |    | 6,953                     | 8,332                          | 2,380                           | 17,665       |
| Total revenues                            |    | 15,481                    | 2,649,695                      | 28,154                          | 2,693,330    |
| Less expenses:                            |    |                           |                                |                                 |              |
| Operating and programming                 |    | 456,430                   | 2,128,066                      | 168,699                         | 2,753,195    |
| Total expenses                            |    | 456,430                   | 2,128,066                      | 168,699                         | 2,753,195    |
| Net results                               |    | (440,949)                 | 521,629                        | (140,545)                       | (59,865)     |
| Net position (deficit), end of year       | \$ | 1,211,482                 | (30,714)                       | 458,659                         | 1,639,427    |

**(6) Pension Expense**

FITSA's full-time employees participate in the SUNY Optional Retirement Program (ORP), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity Investments, Met Life, VALIC, and VOYA.

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The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such, there are no forfeitures reported by these plans if an employee is terminated prior to vesting.

Employees who joined the ORP after July 27, 1976 and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the ORP.

Pension expense for the years ended June 30, 2022 and 2021 was \$108,941 and \$117,575, respectively.

The total payroll for 2022 and 2021 for FITSA's employees covered by the ORP was \$1,131,355 and \$1,061,638, respectively. Employer and employee contributions for the plan were \$108,947 and \$10,436 for 2022, and \$117,575 and \$14,221 for 2021.

**(7) Postemployment Healthcare Plan**

**(a) Plan Description**

FIT provides healthcare benefits to eligible retirees of the College and its component organizations (including FITSA) through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the United College Employees of FIT (UCE). The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The plan is classified as a single-employer defined benefit plan under GASB No. 75. No assets are accumulated in a trust that meets the criteria under GASB No. 75.

**Healthcare Coverage:** Basic coverage is provided to eligible retirees through the New York City Health Insurance Program. The plans included in this program are community rated; given the size of FIT's covered population in relation to the total covered population, FIT's actual claims experience has no effect on the premiums charged by these plans.

**UCE Welfare Fund:** FIT pays \$1,670 annually for most eligible retirees to the UCE Welfare Fund. This contribution may change periodically based on collective bargaining agreements.

**Medicare Part B Premium Reimbursement:** FIT reimburses \$58.70 a month toward Part B premium for all Medicare eligible retirees and covered spouses.

At the June 30, 2022 valuation date there were 13 active employees covered by the benefit terms.

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**(b) Contributions**

The terms of the plan are determined through collective bargaining among FIT, UCE, and the City of New York. FIT (and its component organizations and subdivision) historically has funded the plan on a pay-as-you-go basis, and does not anticipate prefunding the plan. In fiscal years 2022 and 2021, FITSA did not make any contributions relating to retiree healthcare benefits.

**(c) Total OPEB Liability**

FITSA's total OPEB liability at June 30, 2022 and 2021 was \$697,693 and \$1,258,876, respectively. The total OPEB liability for the June 30, 2022 measurement date was based on actuarial valuation as of June 30, 2022. The total OPEB liability for June 30, 2021 was rolled from the actuarial valuation as of June 30, 2020.

**(d) Actuarial Assumptions**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                              |   |
|------------------------------|---|
| Inflation                    | 2.25%   |
| Healthcare cost trend rates: | 6.75%   |
| Pre-Medicare Plans           | of 3.78% at 2075 and years later  |
| Medicare Plans               | 4.40% for 2022, decreasing to an ultimate rate of 3.78% at 2075 and years later |

The mortality rates used are based on the mortality table in the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP-2021 mortality improvement scale on a generational basis.

The total OPEB liability in the June 30, 2021 actuarial valuation, which was rolled from the June 30, 2020 valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                              |   |
|------------------------------|---|
| Inflation                    | 2.25%   |
| Healthcare cost trend rates: | 6.75% for 2021, decreasing to an ultimate rate of 3.78% at 2075 and years later |
| Pre-Medicare Plans           | of 3.78% at 2075 and years later  |
| Medicare Plans               | 4.40% for 2021, decreasing to an ultimate rate of 3.78% at 2075 and years later |

The mortality rates used are based on the mortality table in the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP-2020 mortality improvement scale on a generational basis.

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**(e) Changes in the Total OPEB Liability**

|  | <u>2022</u>       | <u>2021</u>      |
|--|-------------------|------------------|
| Total OPEB liability, beginning of year            | \$ 1,258,876      | 1,145,013        |
| Changes for the year:                              |                   |                  |
| Service cost                                       | 90,012            | 87,337           |
| Interest   | 29,133            | 27,234           |
| Differences between expected and actual experience | (124,317)         | 1,784            |
| Changes in assumptions and other inputs            | (555,721)         | (2,377)          |
| Actual benefit payments                            | <u>(290)</u>      | <u>(115)</u>     |
| Net changes (OPEB expense)                         | <u>(561,183)</u>  | <u>113,863</u>   |
| Total OPEB liability, end of year                  | \$ <u>697,693</u> | <u>1,258,876</u> |

**(f) Discount Rate**

The discount rate used to measure the OPEB liability as of June 30, 2022 and 2021 was 3.54% and 2.16%, respectively, based on the Bond Buyer's 20 Bond Index.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents FITSA's total OPEB liability calculated as of June 30, 2022 using the discount rate of 3.54%, as well as what FITSA's liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) and 1-percentage point higher (4.54%) than the current year rate:

|                | <u>1% Decrease<br/>(2.54%)</u> | <u>Current<br/>discount<br/>rate (3.54%)</u> | <u>1% Increase<br/>(4.54%)</u> |
|----------------|--------------------------------|--|--------------------------------|
| OPEB liability | \$ 848,541                     | 697,693                                      | 578,733                        |

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents FITSA's total OPEB liability calculated as of June 30, 2021 using the discount rate of 2.16%, as well as what FITSA's liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) and 1-percentage point higher (3.16%) than the current year rate:

|                | <u>1% Decrease<br/>(1.16%)</u> | <u>Current<br/>discount<br/>rate (2.16%)</u> | <u>1% Increase<br/>(3.16%)</u> |
|----------------|--------------------------------|--|--------------------------------|
| OPEB liability | \$ 1,580,768                   | 1,258,876                                    | 1,011,177                      |

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Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents FITSA's total OPEB liability calculated as of June 30, 2022 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

|                | <b>1% Decrease<br/>(5.75%<br/>decreasing<br/>to 2.784%)</b> | <b>Healthcare<br/>cost<br/>trend rates<br/>(6.75%<br/>decreasing<br/>to 3.784%)</b> | <b>1% Increase<br/>(7.75%<br/>decreasing<br/>to 4.784%)</b> |
|----------------|---|---|---|
| OPEB liability | \$ 576,473  | 697,693   | 861,768   |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents FITSA's total OPEB liability calculated as of June 30, 2021 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

|                | <b>1% Decrease<br/>(5.75%<br/>decreasing<br/>to 2.784%)</b> | <b>Healthcare<br/>cost<br/>trend rates<br/>(6.75%<br/>decreasing<br/>to 3.784%)</b> | <b>1% Increase<br/>(7.75%<br/>decreasing<br/>to 4.784%)</b> |
|----------------|---|---|---|
| OPEB liability | \$ 969,132  | 1,258,876   | 1,666,196   |

**(g) Deferred Outflows and Inflows of Resources**

The following are components of the deferred outflows and inflows at June 30, 2022 and 2021:

|  | <b>2022</b>                                   |  |
|--|---|--|
|  | <b>Deferred<br/>outflows of<br/>resources</b> | <b>Deferred<br/>inflows of<br/>resources</b> |
| Differences between expected and actual experience | \$ 168,764                                    | 115,943                                      |
| Change in assumption                               | 136,867                                       | 622,788                                      |
| Total  | \$ 305,631                                    | 738,731                                      |

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|  | <b>2021</b>                                   |  |
|--|---|--|
|  | <b>Deferred<br/>outflows of<br/>resources</b> | <b>Deferred<br/>inflows of<br/>resources</b> |
| Differences between expected and actual experience | \$ 183,246                                    | 10   |
| Change in assumption                               | 149,485                                       | 115,107                                      |
| Total  | \$ 332,731                                    | 115,117                                      |

The deferred inflows and outflows of resources at June 30, 2022 will be recognized in expense as follows:

| Year ended June 30: |           |
|---------------------|-----------|
| 2023                | \$ 29,324 |
| 2024                | 29,324    |
| 2025                | 29,324    |
| 2026                | 29,324    |
| 2027                | 29,324    |
| Thereafter          | 286,480   |

**(h) Annual OPEB expense**

FITSA's annual OPEB expense for fiscal years ended 2022 and 2021 was \$89,821 and \$129,052, respectively.