

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA ATLANTIC UNIVERSITY**

For the Fiscal Year Ended  
June 30, 2015



Sherrill F. Norman, CPA  
Auditor General

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Notes: <sup>a</sup> Faculty Senate President.

<sup>b</sup> Student Government President.

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The team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA.

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

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**FLORIDA ATLANTIC UNIVERSITY**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2016-134.

## AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, which represents 0.31 percent, 0.40 percent, and 0.24 percent, respectively, of the assets, net position, and revenues, reported for Florida Atlantic University. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of University Contributions – Florida Retirement System Pension Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of University Contributions – Health Insurance Subsidy Pension Plan, and Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida Atlantic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

### **FINANCIAL HIGHLIGHTS**

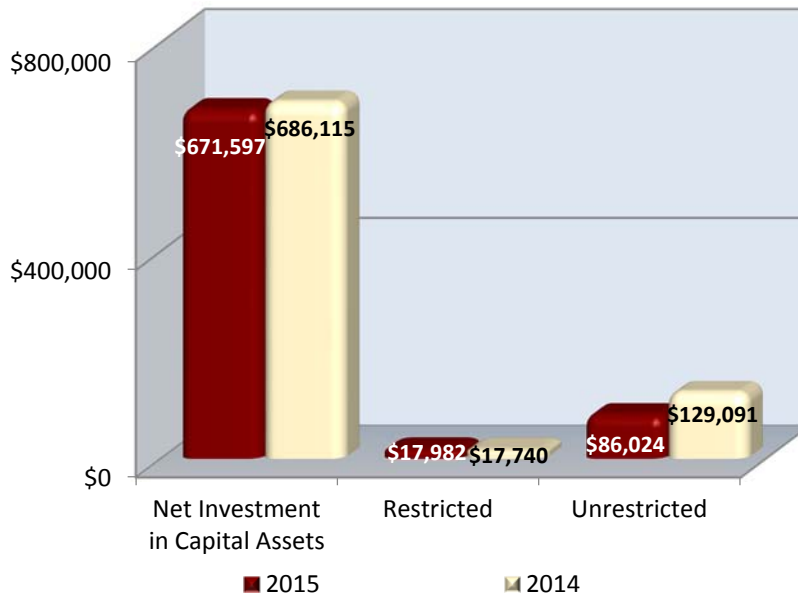
The University's assets totaled \$1 billion at June 30, 2015. This balance reflects a \$6 million, or 0.6 percent, decrease as compared to the 2013-14 fiscal year, resulting from an increase in receivables and investments and a decrease of capital assets. The implementation of Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, required the University to record deferred outflows of resources at June 30, 2015, totaling \$20.7 million. This accounting standard requires the University, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. Liabilities increased by \$43.1 million, or 20.4 percent, as a result of recording \$37.2 million of the net pension liability, a \$7.3 million increase in the other postemployment benefit (OPEB) liability, and a decrease of \$3.4 million in accounts payable. Also related to the implementation of GASB 68, deferred inflows of resources totaling \$28.9 million were recorded at June 30, 2015. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption of GASB 68 also resulted in an adjustment to beginning net position of \$48.6 million.

The University's operating revenues totaled \$252.3 million for the 2014-15 fiscal year, representing a 10.3 percent increase as compared to the 2013-14 fiscal year due mainly to an increase of \$9.4 million in net tuition and fees generated by an increase in matriculation fees, an \$8.7 million increase in sales and services of auxiliary enterprises, and a \$4.6 million increase in other operating revenue mostly from athletic program revenue. Operating expenses totaled \$482.8 million for the 2014-15 fiscal year, representing an increase of 5.4 percent as compared to the 2013-14 fiscal year due mainly to a \$17.7 million increase in compensation and employee benefits and \$7.3 million increase in the supplies and services associated with the operational costs.

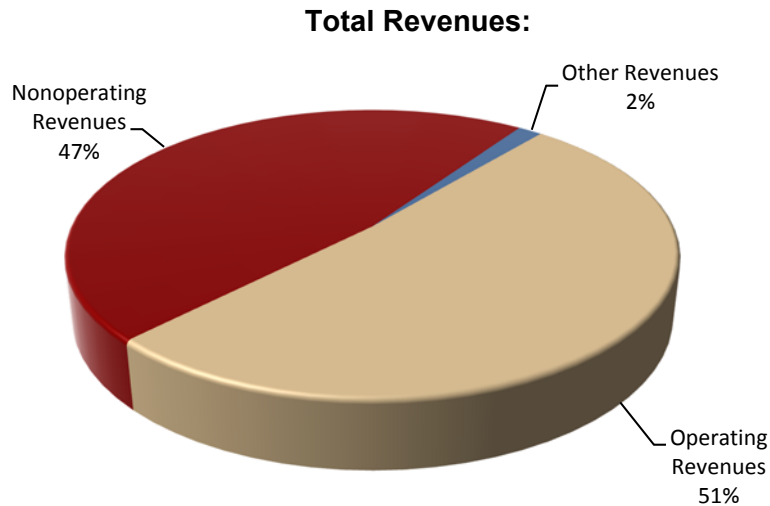
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:



**Net Position:  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to GASB Statement No. 35, the University’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Unit:
  - Florida Atlantic University College of Medicine Self-Insurance Program

- Discretely Presented Component Units:
  - Florida Atlantic University Foundation, Inc.
  - Florida Atlantic University Research Corporation, Inc.
  - Harbor Branch Oceanographic Institution Foundation, Inc.
  - Florida Atlantic University Finance Corporation
  - Florida Atlantic University Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports. The Florida Atlantic University Foundation, Inc. and the Harbor Branch Oceanographic Institution Foundation, Inc. report under Financial Accounting Standards Board (FASB) standards and, as such, do not include an MD&A in their audit reports.

### **The Statement of Net Position**

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

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current Assets	\$ 262,564	\$ 248,367
Capital Assets, Net	772,112	793,040
Other Noncurrent Assets	<u>3,615</u>	<u>2,934</u>
<b>Total Assets</b>	<u>1,038,291</u>	<u>1,044,341</u>
<b>Deferred Outflows of Resources</b>	<u>20,667</u>	<u>-</u>
<b>Liabilities</b>		
Current Liabilities	47,566	45,801
Noncurrent Liabilities	<u>206,895</u>	<u>165,594</u>
<b>Total Liabilities</b>	<u>254,461</u>	<u>211,395</u>
<b>Deferred Inflows of Resources</b>	<u>28,894</u>	<u>-</u>
<b>Net Position</b>		
Net Investment in Capital Assets	671,597	686,115
Restricted	17,982	17,740
Unrestricted	<u>86,024</u>	<u>129,091</u>
<b>Total Net Position</b>	<u>\$ 775,603</u>	<u>\$ 832,946</u>

The increase in current assets is due to more University funds being reported as investments, an increase in funds due from the State for the construction of capital projects, and an increase in outstanding accounts receivables. The decrease of capital assets is caused by removing the assets returned to the State after the closure of the Treasure Coast Campus. The increase in other noncurrent assets is caused by the investment of loan fund dollars that will be disbursed relative to the summer term. Deferred outflows of resources were recorded due to the adoption of GASB Statement No. 68. Noncurrent liabilities increased due to new liabilities recorded for the University's proportionate share of the FRS net pension liabilities, increased compensated absences payable, and increased other postemployment benefits payable. Deferred inflows of resources consist of the deferred inflows of pension resources associated with the adoption of GASB Statement No. 68.

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

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

The following summarizes the University's activity for the 2014-15 and 2013-14 fiscal years:

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

	<b>2014-15</b>	<b>2013-14</b>
Operating Revenues	\$ 252,337	\$ 228,803
Less, Operating Expenses	482,831	457,921
<b>Operating Loss</b>	(230,494)	(229,118)
Net Nonoperating Revenues	214,331	226,860
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(16,163)	(2,258)
Other Revenues, Expenses, Gains, or Losses	7,419	11,689
<b>Net Increase (Decrease) In Net Position</b>	(8,744)	9,431
Net Position, Beginning of Year	832,946	824,201
Adjustments to Beginning Net Position (1)	(48,599)	(686)
<b>Net Position, Beginning of Year, as Restated</b>	784,347	823,515
<b>Net Position, End of Year</b>	<b>\$ 775,603</b>	<b>\$ 832,946</b>

Note: (1) For the 2014-15 fiscal year, as discussed in Notes 2 and 3 to the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68. For the 2013-14 fiscal year, the adjustment to beginning net position resulted from the implementation of GASB statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred.

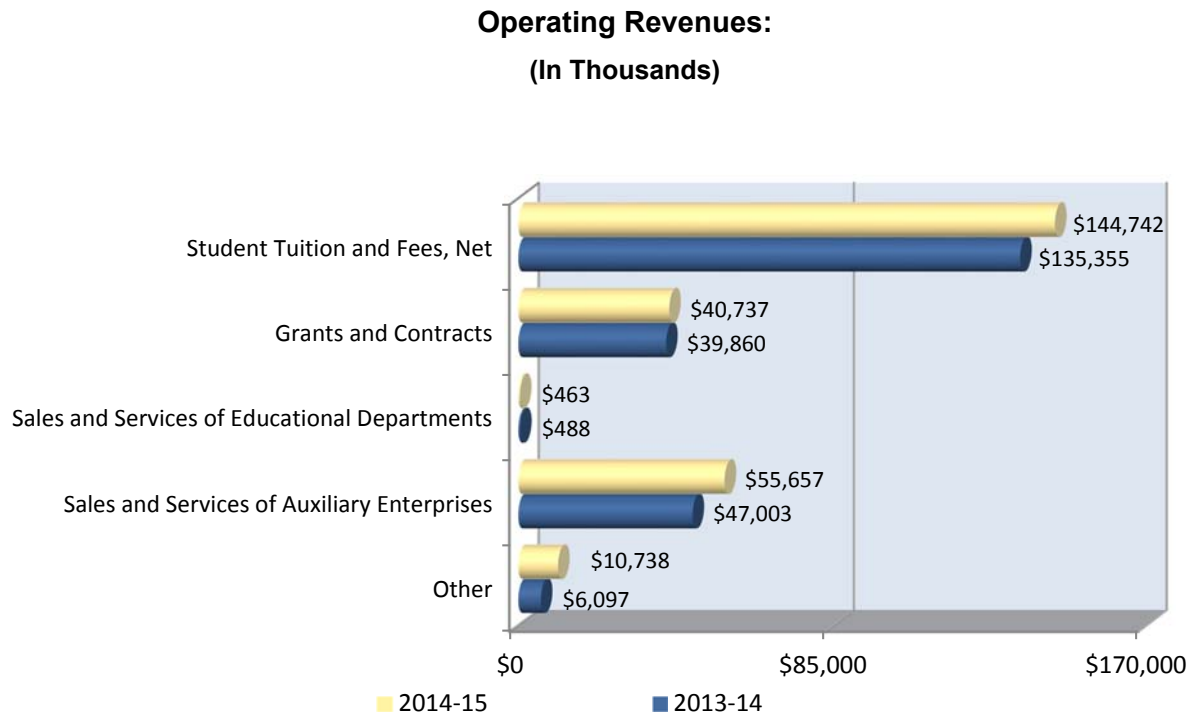
**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

<b>Operating Revenues For the Fiscal Years (In Thousands)</b>		
	<b>2014-15</b>	<b>2013-14</b>
Student Tuition and Fees, Net	\$ 144,742	\$ 135,355
Grants and Contracts	40,737	39,860
Sales and Services of Educational Departments	463	488
Sales and Services of Auxiliary Enterprises	55,657	47,003
Other	10,738	6,097
<b>Total Operating Revenues</b>	<b>\$ 252,337</b>	<b>\$ 228,803</b>

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:



University operating revenue changes were the result of the following factors:

University operating revenues were impacted by a \$9.4 million net increase due to a change in the mix of nonresident versus resident student population, an increase in revenues from the Market Rate Executive MBA programs, and an increase in the revenues generated by the Graduate Medical Education program. The \$8.7 million increase in sales and services of auxiliary enterprises is due mostly to revenue generated by the Internal Medicine Residency program in the College of Medicine and the timing of payments relating to a telecommunications agreement. The \$4.6 million increase in other operating revenue is mainly due to an increase in Athletic program revenues.

**Operating Expenses**

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

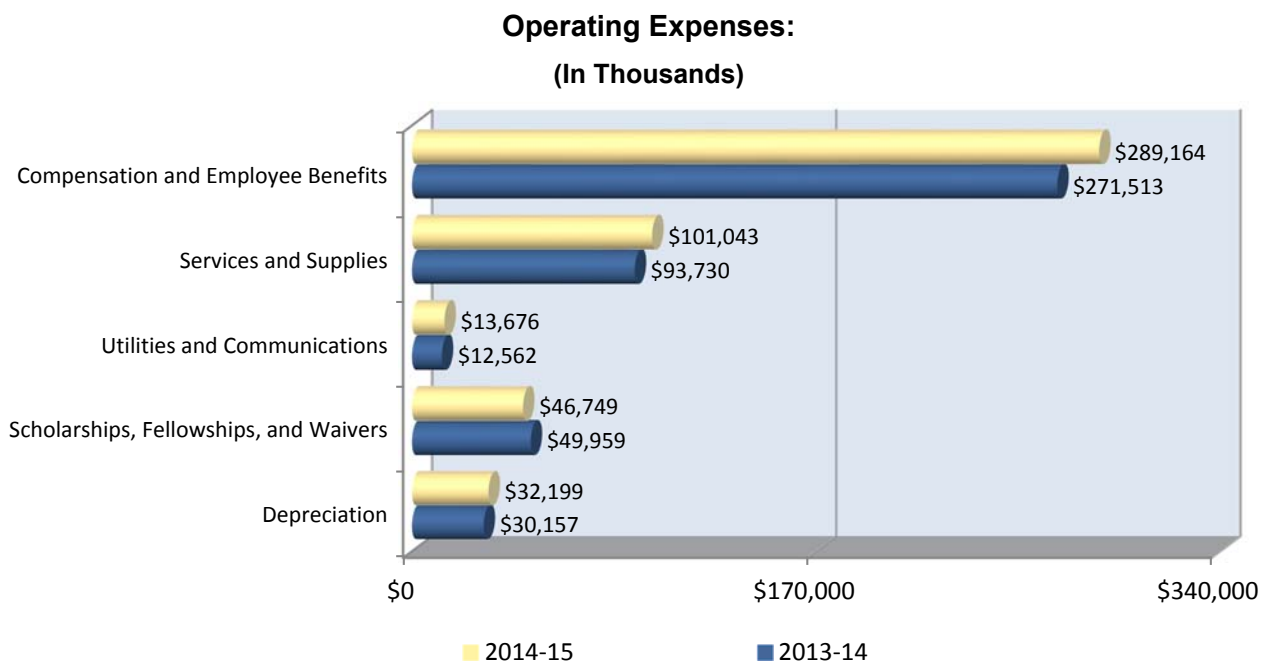
The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

**Operating Expenses  
For the Fiscal Years**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Compensation and Employee Benefits	\$ 289,164	\$ 271,513
Services and Supplies	101,043	93,730
Utilities and Communications	13,676	12,562
Scholarships, Fellowships, and Waivers	46,749	49,959
Depreciation	32,199	30,157
<b>Total Operating Expenses</b>	<b>\$ 482,831</b>	<b>\$ 457,921</b>

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:



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

The \$17.7 million increase in compensation and employee benefits expense is primarily due to the restoration and hiring of vacant positions from the prior fiscal years when State appropriations were reduced. Departments were cautious and in some instances hiring was postponed. Upon restoration of these appropriations, hiring commenced. Additionally, there was a health benefit increase of \$3.3 million that contributed to the increase in compensation and benefits expense. The \$7.3 million increase in services and supplies expense is due to the increase in the repairs and maintenance costs for the operations of the University. The \$3.2 million decrease in scholarships, fellowships, and waivers is due to less Bright Futures funding being available to award scholarships.

## **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

### **Nonoperating Revenues (Expenses): For the Fiscal Year Ended**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 159,683	\$ 158,928
Federal and State Student Financial Aid	56,036	59,081
Investment Income	3,115	4,104
Unrealized Losses	(1,207)	-
Other Nonoperating Revenues	13,078	10,848
Loss on Disposal of Capital Assets	(11,524)	(1,059)
Interest on Capital Asset-Related Debt	(3,866)	(3,627)
Other Nonoperating Expenses	(984)	(1,415)
<b>Net Nonoperating Revenues</b>	<u>\$ 214,331</u>	<u>\$ 226,860</u>

The \$3 million decrease in Federal and State Student Financial Aid was impacted by a reduction in funding available for awarding Bright Futures Scholarships. The combined decrease of \$2.2 million of investment income and unrealized losses are due to reductions in investment earnings and the value (Fair Market Value adjustment of 1.0013 at June 30, 2015, versus 1.0074 at June 30, 2014), of the University's investments with the State Treasury. The \$2.2 million increase in other nonoperating revenue is due to additional funding from the Florida Atlantic University Finance Corporation, as approved by its Board, for University scholarships. The \$10.5 million increase in loss on disposal of capital assets is related to capital assets being returned to the State from the closure of the Treasure Coast Campus.

## **Other Revenues, Expenses, Gains, or Losses**

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2014-15 and 2013-14 fiscal years:

### **Other Revenues, Expenses, Gains, or Losses: For the Fiscal Year Ended**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 5,114	\$ 5,628
Capital Grants, Contracts, Donations, and Fees	1,997	5,730
Other Revenues	308	331
<b>Total</b>	<u>\$ 7,419</u>	<u>\$ 11,689</u>

Capital grants, contracts, donations, and fees decreased by \$3.7 million as a result of a one-time donation from the Florida Atlantic University Foundation in the 2013-14 fiscal year.

### **The Statement of Cash Flows**

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

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

#### **Condensed Statement of Cash Flows: For the Fiscal Year Ended**

(In Thousands)

	<b>2014-15</b>	<b>2013-14</b>
Cash Provided (Used) by:		
Operating Activities	\$ (198,309)	\$ (187,706)
Noncapital Financing Activities	229,893	231,370
Capital and Related Financing Activities	(27,894)	(37,774)
Investing Activities	(6,049)	(11,123)
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,359)	(5,233)
Cash and Cash Equivalents, Beginning of Year	9,841	15,074
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 7,482</b>	<b>\$ 9,841</b>

Major sources of funds came from State noncapital appropriations (\$159.7 million), net student tuition and fees (\$144.7 million), Federal Direct Loan receipts (\$123.4 million), sales and services of auxiliary enterprises (\$71.8 million), Federal and State student financial aid (\$55.9 million), grants and contracts (\$40 million), and other nonoperating receipts (\$13.1 million). Major uses of funds were for payments made to and on behalf of employees (\$283.5 million); disbursements to students for Federal Direct Loans (\$123.3 million); payments to suppliers (\$119.4 million); and payments to and on behalf of students for scholarships (\$46.7 million). Changes in cash and cash equivalents were the result of the following factors:

- The increase in cash used by operating activities was due primarily to an increase in salary and benefit payments to employees.
- The decrease in cash provided by noncapital financing activities was primarily due to the decrease in Federal and State student financial aid.
- The decrease in cash used by capital and related financing activities was primarily due to the decrease in the purchase or construction of capital assets.



<b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b>
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**Capital Assets**

At June 30, 2015, the University had \$1.2 billion in capital assets, less accumulated depreciation of \$387 million, for net capital assets of \$772.1 million. Depreciation charges for the current fiscal year totaled \$32.2 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30:  
For the Fiscal Year Ended**

(In Thousands)

	2015	2014
Land	\$ 9,856	\$ 11,204
Construction in Progress	4,426	1,885
Buildings	606,027	628,762
Infrastructure and Other Improvements	55,985	57,793
Furniture and Equipment	41,983	39,473
Library Resources	11,705	11,153
Property Under Capital Leases and Leasehold Improvements	36,475	36,963
Works of Art and Historical Treasures	5,257	5,153
Computer Software	398	654
<b>Capital Assets, Net</b>	<b>\$772,112</b>	<b>\$793,040</b>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2015, were incurred on the following projects: College of Medicine Office Building; Parking Lot #7 Renovations; and Breezeway Renovations on the Boca Raton Campus. The University's construction commitments at June 30, 2015, are as follows:

	<b>Amount (In Thousands)</b>
Total Committed	\$ 7,983
Completed to Date	(4,426)
<b>Balance Committed</b>	<b>\$ 3,557</b>

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

**Debt Administration**

As of June 30, 2015, the University had \$89.7 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of \$4.1 million, or 4.4 percent, from the prior fiscal

year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

**Long-Term Debt, at June 30:  
For Fiscal Year Ended**

(In Thousands)

	2015	2014
Capital Improvement Debt	\$ 80,747	\$ 84,974
Capital Leases	8,961	8,852
<b>Total</b>	<b>\$ 89,708</b>	<b>\$ 93,826</b>

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University experienced an increase in revenue received from the State funding due to an upturn in the overall budget for the State of Florida. The Florida Legislature adopted a 3.5 percent increase in the Educational and General Budget allocation for State universities for the 2015-16 fiscal year. Florida Atlantic University's share of that increase translated to an increase of \$19 million in Educational and General Funds, which includes \$11.3 million for Performance Funding Metrics. Funding priorities for higher education continued to focus on efforts to maintain a stable funding environment, including enrollment increase support and recognition of specific programmatic initiatives and support of the 2015-2025 Strategic Plan.

Improving the 10 Board of Governors base funding initiatives for strengthening graduation rates, enhancing recruitment/retention efforts and growing academic program offerings, are the priorities of the campus for the 2015-16 fiscal year.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Dorothy Russell, Vice President for Financial Affairs and Chief Financial Officer, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida 33431.

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# BASIC FINANCIAL STATEMENTS

## Florida Atlantic University A Component Unit of the State of Florida Statement of Net Position

June 30, 2015

	University	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 7,476,197	\$ 32,335,457
Cash with Fiscal Agent	-	25,485,696
Investments	213,528,324	126,257,599
Accounts Receivable, Net	24,049,108	6,836,881
Loans and Notes Receivable, Net	2,575,894	-
Due from State	10,342,370	-
Due from Component Units/University	1,232,581	3,166,219
Inventories	44,674	-
Net Investment in Direct Financing-Type Leases	-	497,000
Other Current Assets	3,315,195	184,111
<b>Total Current Assets</b>	<b>262,564,343</b>	<b>194,762,963</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,613	89,596
Restricted Cash with Fiscal Agent	-	18,957,280
Restricted Investments	1,908,430	152,564,198
Net Investment in Direct Financing-Type Leases	-	7,648,590
Accounts Receivable, Net	-	8,154,452
Loans and Notes Receivable, Net	1,701,179	-
Depreciable Capital Assets, Net	753,485,283	131,603,445
Nondepreciable Capital Assets	18,626,248	11,697,175
Other Noncurrent Assets	-	9,866,667
<b>Total Noncurrent Assets</b>	<b>775,726,753</b>	<b>340,581,403</b>
<b>Total Assets</b>	<b>1,038,291,096</b>	<b>535,344,366</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	20,666,642	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	4,529,360	1,623,761
Construction Contracts Payable	42,959	-
Salary and Wages Payable	7,667,128	-
Deposits Payable	1,179,110	-
Due to Component Units/University	3,166,219	1,232,581
Unearned Revenue	23,743,837	4,716,822
Other Current Liabilities	-	6,505,870
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,386,666	-
Bonds Payable	-	4,530,000
Certificates of Participation Payable	-	497,000
Capital Leases Payable	723,344	-
Unearned Lease Revenue	400,000	-
Compensated Absences Payable	1,727,222	13,626
<b>Total Current Liabilities</b>	<b>47,565,845</b>	<b>19,119,660</b>

**Florida Atlantic University**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**

**June 30, 2015**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	76,360,366	-
Bonds Payable	-	205,129,894
Certificates of Participation Payable	-	7,692,000
Capital Leases Payable	8,237,808	-
Compensated Absences Payable	28,932,566	212,009
Federal Advance Payable	1,832,092	
Other Postemployment Benefits Payable	44,897,000	-
Unearned Lease Revenue	9,466,667	-
Net Pension Liability	37,168,670	-
Other Noncurrent Liabilities	-	208,496
	<b>Total Noncurrent Liabilities</b>	<b>213,242,399</b>
	<b>Total Liabilities</b>	<b>232,362,059</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	28,894,234	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	671,596,936	(21,916,298)
Restricted for Nonexpendable:		
Endowment	-	147,766,326
Restricted for Expendable:		
Debt Service	-	19,452,960
Loans	3,635,232	-
Other	14,346,373	162,336,111
Unrestricted	86,023,949	(4,656,792)
	<b>TOTAL NET POSITION</b>	<b>\$ 302,982,307</b>
	<b>\$ 775,602,490</b>	<b>\$ 302,982,307</b>

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

**Florida Atlantic University**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

	University	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$52,715,336	\$ 144,741,823	\$ -
Federal Grants and Contracts	19,712,492	-
State and Local Grants and Contracts	11,914,768	2,960,496
Nongovernmental Grants and Contracts	9,109,890	1,151,775
Sales and Services of Educational Departments	463,026	-
Sales and Services of Auxiliary Enterprises		
\$8,323,423 Pledged for Housing Facility Revenue Bonds and \$6,675,001 Pledged for the Parking System Revenue Bonds)	55,657,045	-
Sales and Services of Component Units	-	25,724,081
Royalties and Licensing Fees	-	172,930
Gifts and Donations	-	9,040,376
Interest on Loans and Notes Receivable	51,166	206,471
Other Operating Revenues	10,686,717	2,044,583
<b>Total Operating Revenues</b>	<b>252,336,927</b>	<b>41,300,712</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	289,163,943	10,269,989
Services and Supplies	101,043,182	15,629,429
Utilities and Communications	13,675,712	2,052,997
Scholarships, Fellowships, and Waivers	46,748,706	4,817,133
Depreciation	32,199,896	5,333,076
Other Operating Expenses	-	4,593,667
<b>Total Operating Expenses</b>	<b>482,831,439</b>	<b>42,696,291</b>
<b>Operating Loss</b>	<b>(230,494,512)</b>	<b>(1,395,579)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	159,682,607	-
Federal and State Student Financial Aid	56,036,212	-
Investment Income	3,115,495	5,248,954
Net Realized and Unrealized Gain (Loss) on Investments	(1,206,641)	326,039
Other Nonoperating Revenues	13,078,296	6,321,131
Loss on Disposal of Capital Assets	(11,523,843)	-
Interest on Capital Asset-Related Debt	(3,866,272)	(13,136,668)
Other Nonoperating Expenses	(984,491)	(1,282,142)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>214,331,363</b>	<b>(2,522,686)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(16,163,149)</b>	<b>(3,918,265)</b>
State Capital Appropriations	5,114,000	-
Capital Grants, Contracts, Donations, and Fees	1,997,078	15,432,126
Other Revenues (Expenses)	308,089	(66,403)
<b>Increase (Decrease) in Net Position</b>	<b>(8,743,982)</b>	<b>11,447,458</b>
Net Position, Beginning of Year	832,945,648	291,534,849
Adjustment to Beginning Net Position	(48,599,176)	-
<b>Net Position, Beginning of Year, as Restated</b>	<b>784,346,472</b>	<b>291,534,849</b>
<b>Net Position, End of Year</b>	<b>\$ 775,602,490</b>	<b>\$ 302,982,307</b>

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

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**Florida Atlantic University**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2015**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 144,741,823
Grants and Contracts	40,004,226
Sales and Services of Educational Departments	463,026
Sales and Services of Auxiliary Enterprises	71,815,773
Interest on Loans and Notes Receivable	51,166
Payments to Employees	(283,512,680)
Payments to Suppliers for Goods and Services	(119,350,742)
Payments to Students for Scholarships and Fellowships	(46,748,706)
Loans Issued to Students	(744,064)
Collection on Loans to Students	656,857
Other Operating Disbursements	(5,685,979)
<b>Net Cash Used by Operating Activities</b>	<b>(198,309,300)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	159,682,607
Federal and State Student Financial Aid	55,936,894
Operating Subsidies and Transfers	308,089
Federal Direct Loan Program Receipts	123,408,668
Federal Direct Loan Program Disbursements	(123,291,381)
Net Change in Funds Held for Others	777,145
Other Nonoperating Receipts	13,078,296
Other Nonoperating Disbursements	(7,397)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>229,892,921</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	3,470,935
Capital Grants, Contracts, Donations and Fees	1,763,815
Capital Subsidies and Transfers	202,078
Other Purchases for Capital Projects	(1,196,201)
Purchase or Construction of Capital Assets	(23,335,449)
Principal Paid on Capital Debt and Leases	(4,932,908)
Interest Paid on Capital Debt and Leases	(3,866,272)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(27,894,002)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	288,603,149
Purchases of Investments	(297,842,534)
Investment Income	3,189,897
<b>Net Cash Used by Investing Activities</b>	<b>(6,049,488)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,359,869)</b>
Cash and Cash Equivalents, Beginning of Year	9,841,679
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 7,481,810</b>



**Florida Atlantic University**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (230,494,512)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	32,199,896
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Accounts Receivables, Net	(2,560,485)
Loans and Notes Receivable	(87,207)
Inventories	14,439
Other Current Assets	(946,587)
Accounts Payable	(649,413)
Deposits Payable	(3,229,153)
Unearned Revenue	1,792,459
Compensated Absences Payable	1,550,177
Other Postemployment Benefits Payable	7,304,000
Net Pension Liability	(18,078,093)
Deferred Outflows of Resources Related to Pensions	(14,019,055)
Deferred Inflows of Resources Related to Pensions	28,894,234
	\$ (198,309,300)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,206,641)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (11,523,843)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 231,175

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

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

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

**Blended Component Unit.** Based on the application of the criteria for determining component units, the Florida Atlantic University College of Medicine Self-Insurance Program (Program), is included within the University's reporting entity as a blended component unit. The Program was created on June 23, 2011, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes, and its sole purpose is to assist in providing comprehensive general liability (malpractice) coverage for the University and its affiliated individuals and entities, and is therefore reported as if it is part of the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations and Health Science Center Affiliates. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Direct Support Organizations.** The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011 are considered component units of

Florida Atlantic University and, therefore, the latest audited financial statements of these organizations are included in the University's financial statements by discrete presentation. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida Atlantic University Foundation, Inc. (Foundation) is a separate corporation operating independently from the University and, as such, receives and administers most private support for the University. Any person or organization contributing money, stock, or any other item to be used in support of the general or specific support of the University usually does so through the offices of the Foundation.
- Florida Atlantic University Research Corporation, Inc. (Corporation) was established by Florida Atlantic University in 1990. It has been organized to promote and encourage, and to provide assistance to, the research activities of the University's faculty, staff, and students. The Corporation has been granted rights and responsibilities for the development, protection, and commercial application of defined and selected intellectual property. In consideration of its efforts, the Corporation is entitled to a portion of the royalties, license fees, or other revenue for the benefit of the University. The Corporation also accepts and administers contracts and grants from private industry, foundations, and other agencies whenever it is required by the granting agency, or when it is in the best interest of the University.
- Harbor Branch Oceanographic Institution Foundation, Inc. is a separate corporation operating independently from the University that became a provider of funding and support for the research and education in marine sciences and ocean engineering to the Harbor Branch Oceanographic Institute, a research institute with the University. The Foundation receives and administers most private support to the Institute as it increases the understanding of oceans and coastal areas through exploration and scientific investigation.
- Florida Atlantic University Finance Corporation is a separate corporation operating independently from the University. It has been organized and operated to assist the activities and educational purposes of the University by providing finance and investment-related assistance in connection with the acquisition or construction of capital or other University projects, including but not limited to, the structuring of debt relating thereto.

*Health Science Center Affiliates.* The Florida Atlantic University Clinical Practice Organization, Inc. is closely affiliated with the University's Charles Schmidt College of Medicine, the Christine E. Lynn College of Nursing, and other participating colleges or units within the University. The Florida Atlantic University Clinical Practice Organization, Inc. was incorporated on May 3, 2011, as a not-for-profit organization under Chapter 617, Florida Statutes. It was established to promote and support medical education, patient care, research, and the administration and distribution of funds exclusively for support of the mission and objectives of the University in accordance with the University's College of Medicine Faculty Practice Plan and other faculty practice plans, adopted by the University, pursuant to Board of Governors Regulation 9.017.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted

accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Florida Atlantic University Research Corporation, Inc.; the Florida Atlantic University Finance Corporation; and the Florida Atlantic University Clinical Practice Organization, Inc. follow GASB standards of accounting and financial reporting. The Florida Atlantic University Foundation, Inc. and the Harbor Branch Oceanographic Institution Foundation, Inc. follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund

certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

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

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

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

Two of the University's component units, Florida Atlantic University Research Corporation, Inc. and Florida Atlantic University Finance Corporation reported cash, cash equivalents, and cash with fiscal agent at fair value of \$44,918,669 at June 30, 2015, invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.67 years and a fair value factor of 1.0013 at June 30, 2015. The component units rely on policies developed by the State Treasury for managing interest risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years

- Furniture and Equipment – 3 to 20 years
- Library Resources – 7 to 10 years
- Property under Capital Lease – 7 to 18 years or the term of the lease, whichever is greater
- Leasehold Improvements – 36 to 50 years
- Works of Art and Historical Treasures – 15 to 50 years
- Computer Software – 3 to 15 years

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

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

## **2. Reporting Change**

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

## **3. Adjustment to Beginning Net Position**

The beginning net position of the University was decreased by \$48,599,176 due to the adoption of a new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit pension plans.

## **4. Investments**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those

institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

### **External Investment Pool**

The University reported investments at fair value totaling \$212,953,219 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years, and fair value factor of 1.0013 at June 30, 2015. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **Other Investments**

The Self-Insurance Program, a blended component unit of the University, invested in equity mutual funds and bond mutual funds.

Investments at June 30, 2015 are as follows:

#### **Self-Insurance Program's Investments**

<u>Investment Type</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Mutual Funds	\$ 378,240	\$ (2,493)	\$ 375,747
Bond Mutual Funds	2,107,432	356	2,107,788
<b>Total Investments</b>	<b>\$ 2,485,672</b>	<b>\$ (2,137)</b>	<b>\$ 2,483,535</b>

Equity mutual fund investments consist of shares owned in Vanguard International Stock Index fund and Vanguard Total Stock Market Index fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index fund and Vanguard Intermediate Term Bond Index Fund.

There were proceeds of \$275,000 from sales of investments during 2015 and there were no proceeds from maturities of investments during 2015. Gross gains of \$262 were realized on these sales in 2015.

The following risks apply to the Program's investments:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program does not have any investments subject to interest rate risk disclosure as of June 30, 2015.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2015, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

**Self-Insurance Program’s Investments Quality Ratings**

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A/Ba</u>	<u>Less Than A/Ba or Not Rated</u>
Bond Mutual Funds	\$ 2,107,788	\$ -	\$ 1,933,718	\$ 174,070	\$ -

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the Program and are not registered in the Program’s name. The Program has not identified any investments falling into this category as of June 30, 2015.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the Program’s investments in a single issuer. The Program places no limit on the amount it may invest in one issuer. Investments that consist of more than 5 percent of the Program’s investments at June 30, 2015, are shown below:

**Self-Insurance Program’s Concentration of Credit Risk**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Program's Total Investments</u>
Vanguard International Stock Index Fund	\$ 126,532	5%
Vanguard Total Stock Market Index Fund	249,215	10%
Vanguard Short-Term Bond Index Fund	1,933,718	78%
Vanguard Intermediate-Term Bond Index Fund	174,070	7%
Total Investments	\$ 2,483,535	100%

The Program’s formal investment policy in place does not specifically address any of the types of risks identified above.

The significant components of net investment income for the year ended June 30, 2015, are summarized as follows:



### Self-Insurance Program's Net Investment Income

	<u>2015</u>	<u>2014</u>
Investment Income	\$ 15,373	\$ 4,295
Net realized gains on sales of investments	262	-
Net decrease in fair value of investment	(2,136)	-
<b>Total Investments</b>	<u>\$ 13,499</u>	<u>\$ 4,295</u>

The Program incurred investment expenses of approximately \$1,953 for 2015, included in operating expenses in the combining statement of revenues, expenses, and changes in net position.

The calculation of realized gains (losses) is independent of the calculation of the net increase (decrease) in fair value of investments. Realized gains (losses) on investments held for more than 1 fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year.

### Component Units Investments

Investments reported by the University's component units at June 30, 2015, are those held by Florida Atlantic University Foundation, Inc. and the Harbor Branch Oceanographic Institution Foundation, Inc. are reported at fair market value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Stocks and Bonds	\$ 61,611,987
International Stocks and Bonds	42,129,115
Fixed Income Securities	39,828,303
Hedge Funds	34,895,142
Other Investments	97,129,414
<b>Subtotal</b>	275,593,961
Funds Held in Trust by Others	3,227,836
<b>Total Investments</b>	<u>\$ 278,821,797</u>

## 5. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 16,749,077
Contracts and Grants	6,734,441
Other	565,590
<b>Total Accounts Receivable</b>	<u>\$ 24,049,108</u>

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$10,328,071 and \$539,832, respectively, at June 30, 2015.

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

## **6. Due From State**

The amount due from State consists of \$10,342,370 of Public Education Capital Outlay (PECO) allocations due from the State to the University for construction of University facilities.

## **7. Due From and to Component Units/University**

The \$1,232,581 reported as due from component units consists of amounts owed to the University by the Florida Atlantic University Foundation, Inc. (Foundation) to reimburse funds expended out of departmental Foundation accounts; by the Florida Atlantic University Finance Corporation (Finance Corporation) for the reimbursement of costs associated with student housing operations; and by the Florida Atlantic University Clinical Practice Organization (CPO) for the reimbursement of costs associated with the CPO. The \$3,166,219 reported as due to component units consists of amounts owed by the University to the Foundation pursuant to an agreement to support the Foundation's operations, the Finance Corporation pursuant to a management agreement for student housing operations, and the CPO pursuant to an agreement to support the CPO's operations.

## **8. Inventories**

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- Merchandise Inventory – Those inventories maintained that are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

## **9. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 11,203,803	\$ -	\$ 1,347,526	\$ 9,856,277
Works of Art and Historical Treasures	4,343,820	-	-	4,343,820
Construction in Progress	1,884,865	5,022,564	2,481,278	4,426,151
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,432,488</b>	<b>\$ 5,022,564</b>	<b>\$ 3,828,804</b>	<b>\$ 18,626,248</b>
Depreciable Capital Assets:				
Buildings	\$ 838,203,582	\$ 7,596,130	\$ 11,712,125	\$ 834,087,587
Infrastructure and Other Improvements	89,382,841	1,737,223	797,755	90,322,309
Furniture and Equipment	89,040,490	9,593,865	4,400,058	94,234,297
Library Resources	72,676,605	3,121,814	2,545,796	73,252,623
Property Under Capital Leases and Leasehold Improvements	44,858,412	848,583	-	45,706,995
Works of Art and Historical Treasures	966,003	127,960	-	1,093,963
Computer Software	1,821,087	96,727	90,714	1,827,100
<b>Total Depreciable Capital Assets</b>	<b>1,136,949,020</b>	<b>23,122,302</b>	<b>19,546,448</b>	<b>1,140,524,874</b>
Less, Accumulated Depreciation:				
Buildings	209,441,240	20,188,176	1,568,591	228,060,825
Infrastructure and Other Improvements	31,589,544	3,347,944	600,559	34,336,929
Furniture and Equipment	49,566,932	4,674,609	1,990,486	52,251,055
Library Resources	61,523,770	2,299,652	2,275,794	61,547,628
Property Under Capital Leases and Leasehold Improvements	7,895,269	1,336,386	-	9,231,655
Works of Art and Historical Treasures	157,198	24,718	-	181,916
Computer Software	1,167,163	328,411	65,991	1,429,583
<b>Total Accumulated Depreciation</b>	<b>361,341,116</b>	<b>32,199,896</b>	<b>6,501,421</b>	<b>387,039,591</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 775,607,904</b>	<b>\$ (9,077,594)</b>	<b>\$ 13,045,027</b>	<b>\$ 753,485,283</b>

## 10. Unearned Revenue

Unearned revenue at June 30, 2015, includes PECO appropriations for which the University had not yet received approval from the Florida Department of Education to spend the funds, student tuition and fees received prior to fiscal year-end related to subsequent accounting periods, and grant funds received but not yet expended as of June 30, 2015.

As of June 30, 2015, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 12,135,308
Capital Appropriations	6,784,177
Contracts and Grants	4,824,352
<b>Total Unearned Revenue</b>	<b>\$ 23,743,837</b>

## 11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, capital leases payable, unearned lease revenue, Federal advances payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 84,973,698	\$ -	\$ 4,226,666	\$ 80,747,032	\$ 4,386,666
Capital Leases Payable	8,851,952	815,442	706,242	8,961,152	723,344
Unearned Lease Revenue	10,266,667	-	400,000	9,866,667	400,000
Federal Advance Payable	1,833,748	-	1,656	1,832,092	-
Compensated Absences Payable	29,109,611	3,487,724	1,937,547	30,659,788	1,727,222
Other Postemployment Benefits Payable	37,593,000	8,336,000	1,032,000	44,897,000	-
Net Pension Liability (1)	55,246,763	17,463,728	35,541,821	37,168,670	-
<b>Total Long-Term Liabilities</b>	<b>\$ 227,875,439</b>	<b>\$ 30,102,894</b>	<b>\$ 43,845,932</b>	<b>\$ 214,132,401</b>	<b>\$ 7,237,232</b>

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2015:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Student Housing Debt:				
2003 Student Housing	\$ 35,285,000	\$ 21,201,286	4.0 - 4.875	2033
2006A Student Housing	27,640,000	22,597,286	4.0 - 4.625	2036
2006B Student Housing	21,775,000	16,685,150	4.0 - 4.375	2030
<b>Total Student Housing Debt</b>	<b>84,700,000</b>	<b>60,483,722</b>		
Parking Garage Debt:				
2013A Parking Facility	21,490,000	20,263,310	2.375 - 5.0	2032
<b>Total Capital Improvement Debt</b>	<b>\$ 106,190,000</b>	<b>\$ 80,747,032</b>		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and various student fee assessments to repay \$80,747,032 in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing rental income, traffic and parking fees, and special student fee assessments and are payable through 2036. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, and special student fee assessments, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$114,493,641, and principal and interest paid for the current year

totaled \$7,839,779. During the 2014-15 fiscal year, housing rental income, traffic and parking fees, and special student fee assessments, and other fines totaled \$8,323,423, \$2,890,764, \$2,722,626, and \$1,061,611, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,385,000	\$ 3,459,029	\$ 7,844,029
2017	4,555,000	3,295,441	7,850,441
2018	4,740,000	3,108,491	7,848,491
2019	4,930,000	2,911,373	7,841,373
2020	5,170,000	2,688,697	7,858,697
2021-2025	20,990,000	10,293,640	31,283,640
2026-2030	21,740,000	6,064,419	27,804,419
2031-2035	12,595,000	1,849,669	14,444,669
2036	1,640,000	75,850	1,715,850
<b>Subtotal</b>	80,745,000	33,746,609	114,491,609
Net Discounts and Premiums	2,032	-	2,032
<b>Total</b>	<b>\$ 80,747,032</b>	<b>\$ 33,746,609</b>	<b>\$ 114,493,641</b>

**Bonds Payable – Component Unit.** The Florida Atlantic University Finance Corporation had the following bonds payable outstanding at June 30, 2015:

<u>Bonds Payable</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Student Housing Debt:				
2010A, Tax Exempt	\$ 8,475,000	\$ 6,204,894	4.0 - 5.0	2016
2010A, Taxable BAB Bonds	112,455,000	112,455,000	5.48 - 7.64	2040
Series 2010, Taxable Bonds	44,500,000	42,615,000	5.78	2040
2012B, Capital Improvement Revenue Bond	3,440,000	3,035,000	2.17	2025
2012A, Taxable Capital Improvement Revenue Bonds	46,205,000	45,350,000	3.0 - 5.0	2042
<b>Total Bonds Payable</b>	<b>\$ 215,075,000</b>	<b>\$ 209,659,894</b>		

Note: (1) Amount outstanding includes unamortized premiums.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,530,000	\$ 12,819,771	\$ 17,349,771
2017	4,795,000	12,596,182	17,391,182
2018	5,000,000	12,346,110	17,346,110
2019	5,180,000	12,085,352	17,265,352
2020	5,375,000	11,801,721	17,176,721
2021-2025	30,245,000	54,079,855	84,324,855
2026-2030	35,870,000	44,007,983	79,877,983
2031-2035	44,215,000	31,222,512	75,437,512
2036-2040	55,275,000	14,942,817	70,217,817
2041-2043	17,940,000	907,311	18,847,311
<b>Subtotal</b>	208,425,000	206,809,614	415,234,614
Unamortized Premiums	1,234,894	-	1,234,894
<b>Total</b>	<b>\$ 209,659,894</b>	<b>\$ 206,809,614</b>	<b>\$ 416,469,508</b>

**Capital Leases Payable.** During the 2011-12 fiscal year, the University entered into capital lease agreements for energy equipment in the amount of \$1,082,030 with a stated interest rate of 3.28 percent and computer equipment in the amount of \$453,176 with a stated interest rate of 1.96 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 248,895
2017	177,710
2018	153,982
2019	153,982
2020	141,150
<b>Total Minimum Payments</b>	875,719
Less, Amount Representing Interest	60,567
<b>Present Value of Minimum Payments</b>	<b>\$ 815,152</b>

The University entered into a capital lease agreement in connection with the Certificates of Participation issued by Florida Atlantic University Foundation, Inc. to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation. At June 30, 2015, the amount reported by the University as capital leases payable include \$8,146,000, representing the total future payments remaining under the Certificates of Participation less restricted cash on deposit with the trustee.

**Certificates of Participation – Component Unit.** The Florida Atlantic University Foundation, Inc. refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificates of Participation for \$9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The stated interest rate on the 2012 certificates is 2.41 percent. At June 30, 2015, Certificates of Participation payable are as follows:

<u>COP Series</u>	<u>Amount of Issues</u>	<u>Total Retired</u>	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
2012	\$9,540,000	\$1,351,000	\$8,189,000	\$1,570,200	2.41	2030

The Foundation entered into agreements with the University, whereby the University was allowed use of the buildings in exchange for the University paying all amounts due under the Certificate.

**Unearned Lease Revenue.** The University leased land to the Florida Atlantic University Finance Corporation (Finance Corporation) under a noncancelable agreement dated March 4, 2010, with terms extending through July 2040. The lease was prepaid in March 2010 by the Finance Corporation to the University for the sum of \$12,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the University totaled \$9,866,667 at June 30, 2015, of which \$400,000 was reported as current.

**Federal Advance Payable.** The Federal Advance Payable represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or has excess cash in the loan program.

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$30,659,788. The current portion of the compensated absences liability, \$1,727,222, is the amount expected to be paid in the coming fiscal year, and represents a 3-year historical percentage of leave payouts applied to the 3-year average accrued leave liability.

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

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 355 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,032,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$ 2,557,000, which represents 1.4 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 4,618,000
Amortization of Unfunded Actuarial Accrued Liability	3,204,000
Interest on Normal Cost and Amortization	<u>313,000</u>
<b>Annual Required Contribution</b>	8,135,000
Interest on Net OPEB Obligation	1,504,000
Adjustment to Annual Required Contribution	<u>(1,303,000)</u>
<b>Annual OPEB Cost (Expense)</b>	8,336,000
Contribution Toward the OPEB Cost	<u>(1,032,000)</u>
<b>Increase in Net OPEB Obligation</b>	7,304,000
Net OPEB Obligation, Beginning of Year	<u>37,593,000</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 44,897,000</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 9,554,000	17.6%	\$ 29,486,000
2013-14	9,247,000	12.3%	37,593,000
2014-15	8,336,000	12.4%	44,897,000



*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$105,330,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$105,330,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$185,544,114 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 56.8 percent.

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 and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years, respectively, for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

**Net Pension Liability.** As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled \$37,168,670.

## **12. Retirement Plans – Defined Benefit Pension Plans**

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employers' proportionate share of the net pension liabilities for the FRS and HIS defined benefit pension plans.

### **General Information about the Florida Retirement System (FRS)**

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The University's pension expense totaled \$4,648,023 for the 2014-15 fiscal year for both the FRS Pension Plan and the HIS Pension Plan.

### **FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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

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

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or

after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from Both of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$6,993,485 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the University reported a liability of \$16,397,183 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.268741487 percent, which was an increase of 0.063712774 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$3,290,522. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,014,707
Change of assumptions	2,839,719	-
Net difference between projected and actual earnings on pension plan investments	-	27,353,222
Changes in proportion and differences between University contributions and proportionate share of contributions	9,226,883	-
University contributions subsequent to the measurement date	6,993,485	-
<b>Total</b>	<b>\$ 19,060,087</b>	<b>\$ 28,367,929</b>

The deferred outflows of resources related to pensions totaling \$6,993,485, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (4,753,042)
2017	(4,753,042)
2018	(4,753,043)
2019	(4,753,042)
2020	2,085,263
Thereafter	625,579
<b>Total</b>	<b>\$ (16,301,327)</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean		2.60%		2.00%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
University's proportionate share of the net pension liability	\$ 70,132,929	\$ 16,397,183	\$ (28,300,705)

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

*Payables to the Pension Plan.* At June 30, 2015, the University reported a payable of \$493,742 for the outstanding amount of contributions in the Plan required for the fiscal year ended June 30, 2015.

### **HIS Pension Plan**

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

*Benefits Provided.* For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$857,452 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the University reported a liability of \$20,771,487 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.222149140 percent, which was a decrease of 0.007020108 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of \$1,357,501. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 739,132	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	9,971	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	-	526,305
University contributions subsequent to the measurement date	857,452	-
<b>Total</b>	<u>\$ 1,606,555</u>	<u>\$ 526,305</u>

The deferred outflows of resources totaling \$857,452 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net

pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 36,820
2017	36,820
2018	36,820
2019	36,820
2020	34,326
Thereafter	41,192
<b>Total</b>	<b>\$ 222,798</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

While an experience study had not been completed for the plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	<u>1% Decrease (3.29%)</u>	<u>Current Discount Rate (4.29%)</u>	<u>1% Increase (5.29%)</u>
University's proportionate share of the net pension liability	\$ 23,625,884	\$ 20,771,487	\$ 18,388,882

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



### 13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Special Risk Regular Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled \$1,121,625 for the fiscal year ended June 30, 2015.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$8,872,579 and employee contributions totaled \$6,339,965 for the 2014-15 fiscal year.

#### 14. Construction Commitments

The University's construction commitments at June 30, 2015, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
College of Medicine Office Building:			
A/E Contract	\$ 334,420	\$ 254,367	\$ 80,053
Construction Contract	3,699,174	429,586	3,269,588
Parking Lot #7 Renovations:			
A/E Contract	64,659	63,498	1,161
Construction Contract	2,187,038	2,187,038	-
Breezeway Renovations:			
A/E Contract	29,220	10,950	18,270
Construction Contract	294,500	106,386	188,114
<b>Subtotal</b>	<u>6,609,011</u>	<u>3,051,825</u>	<u>3,557,186</u>
Other Projects (1)	1,374,326	1,374,326	-
<b>Total</b>	<u>\$ 7,983,337</u>	<u>\$ 4,426,151</u>	<u>\$ 3,557,186</u>

Note: (1) Individual projects with current balance committed of less than \$2 million at June 30, 2015.

#### 15. Operating Lease Commitments

The University leased the Biomed Research and Development Park under an operating lease, which expires in 2020. The University also leased land on which a University building is located, which will expire in 2086. In addition, the University leased various vehicles under operating leases, which expire in 2016 and 2017. These leased assets and the related commitments are not reported on the University's

statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 253,634
2017	223,865
2018	180,438
2019	182,049
2020	146,223
2021-2025	142,278
2026-2030	142,278
2031-2035	142,278
2036-2040	142,278
2041-2045	142,278
2046-2050	142,278
2051-2055	142,278
2056-2060	142,278
2061-2065	142,278
2066-2070	142,278
2071-2075	142,278
2076-2080	142,278
2081-2085	142,278
2086	28,456
<b>Total Minimum Payments Required</b>	<b><u>\$ 2,864,279</u></b>

## 16. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

**University Self-Insurance Program.**

The Florida Atlantic University College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on June 23, 2011. The Program provides professional and general liability protection for the Florida Atlantic University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff, and resident physicians. Liability protection is afforded to the students at the colleges. The Program provides legislative claims bill protection.

The Program provides the Board of Trustees with protection of \$200,000 per claim and \$300,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and student coverage of \$1 million limit per occurrence; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of the Board of Trustees which such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. The following schedule represents the changes in claims liability for the past 2 fiscal years for the University's self-insured program.

<u>Fiscal Year Ended</u>	<u>Claims Liabilities Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payment</u>	<u>Claims Liability End of Year</u>
June 30, 2014	\$ 10,200	\$ 220,950	\$ (2,299)	\$ 228,851
June 30, 2015	228,851	(24,248)	(116,343)	(88,260)

**17. Functional Distribution of Operating Expenses**

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary

departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 157,575,183
Research	19,985,342
Public Services	4,419,706
Academic Support	57,244,479
Student Services	17,039,555
Institutional Support	48,403,977
Operation and Maintenance of Plant	24,324,262
Scholarships, Fellowships, and Waivers	32,088,100
Depreciation	32,199,896
Auxiliary Enterprises	89,550,939
<b>Total Operating Expenses</b>	<b><u><u>\$ 482,831,439</u></u></b>

## 18. Segment Information

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

### Condensed Statement of Net Position

	<u>Housing Facility</u>	<u>Parking Facility</u>
<b>Assets</b>		
Current Assets	\$ 12,305,527	\$ 12,970,938
Capital Assets, Net	80,336,675	30,343,162
<b>Total Assets</b>	<u>92,642,202</u>	<u>43,314,100</u>
<b>Liabilities</b>		
Current Liabilities	815,865	246,046
Noncurrent Liabilities	67,814,281	20,263,310
<b>Total Liabilities</b>	<u>68,630,146</u>	<u>20,509,356</u>
<b>Net Position</b>		
Net Investment in Capital Assets	12,522,394	10,079,852
Unrestricted	11,489,662	12,724,892
<b>Total Net Position</b>	<u><u>\$ 24,012,056</u></u>	<u><u>\$ 22,804,744</u></u>

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

	<u>Housing Facility</u>	<u>Parking Facility</u>
Operating Revenues	\$ 8,323,423	\$ 6,675,001
Depreciation Expense	(2,586,019)	(858,209)
Other Operating Expenses	<u>(620,615)</u>	<u>(4,102,666)</u>
<b>Operating Income</b>	<u>5,116,789</u>	<u>1,714,126</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	52,287	486,794
Interest Expense	(3,160,845)	(672,574)
Other Nonoperating Expense	<u>(869,519)</u>	<u>(440,879)</u>
<b>Net Nonoperating Expenses</b>	<u>(3,978,077)</u>	<u>(626,659)</u>
<b>Increase in Net Position</b>	1,138,712	1,087,467
Net Position, Beginning of Year	<u>22,873,344</u>	<u>21,717,277</u>
<b>Net Position, End of Year</b>	<u><u>\$ 24,012,056</u></u>	<u><u>\$ 22,804,744</u></u>

**Condensed Statement of Cash Flows**

	<u>Housing Facility</u>	<u>Parking Facility</u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 7,130,605	\$ 2,529,851
Noncapital Financing Activities	(750,373)	(193,557)
Capital and Related Financing Activities	(6,652,719)	(3,041,184)
Investing Activities	<u>974,470</u>	<u>704,890</u>
<b>Net Increase in Cash and Cash Equivalents</b>	701,983	-
Cash and Cash Equivalents, Beginning of Year	<u>3,309,469</u>	<u>600</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 4,011,452</u></u>	<u><u>\$ 600</u></u>

**19. Blended Component Unit**

The University has one blended component unit as discussed in Note 1. The following financial information is presented for the University's blended component unit:

## Condensed Statement of Net Position

	<b>Blended Component Unit</b>		
	<b>Florida Atlantic</b>		<b>Total</b>
	<b>University</b>		<b>Primary</b>
	<b>College of Medicine</b>		<b>Government</b>
	<b>Self-Insurance Program</b>	<b>University</b>	<b>Government</b>
<b>Assets:</b>			
Current Assets	\$ 3,179,885	\$ 259,384,458	\$ 262,564,343
Capital Assets, Net	-	772,111,531	772,111,531
Other Noncurrent Assets	-	3,615,221	3,615,221
<b>Total Assets</b>	<b>3,179,885</b>	<b>1,035,111,210</b>	<b>1,038,291,095</b>
<b>Deferred Outflows of Resources</b>	-	20,666,642	20,666,642
<b>Liabilities:</b>			
Current Liabilities	91,260	47,474,585	47,565,845
Noncurrent Liabilities	-	206,895,169	206,895,169
<b>Total Liabilities</b>	<b>91,260</b>	<b>254,369,754</b>	<b>254,461,014</b>
<b>Deferred Inflows of Resources</b>	-	28,894,234	28,894,234
<b>Net Position:</b>			
Net Investment in Capital Assets		671,596,936	671,596,936
Restricted - Expendable		17,981,605	17,981,605
Unrestricted	3,088,625	82,935,324	86,023,949
<b>Total Net Position</b>	<b>\$ 3,088,625</b>	<b>\$ 772,513,865</b>	<b>\$ 775,602,490</b>

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

	<u>Blended Component Unit</u>		<u>Total</u>
	<u>Florida Atlantic</u>		
	<u>University</u>		<u>Primary</u>
	<u>College of Medicine</u>	<u>University</u>	<u>Government</u>
	<u>Self-Insurance Program</u>		
Operating Revenues	\$ 187,587	\$ 252,149,340	\$ 252,336,927
Depreciation Expense		(32,199,896)	(32,199,896)
Other Operating Expenses	(74,060)	(450,557,483)	(450,631,543)
<b>Operating Income (Loss)</b>	<b>113,527</b>	<b>(230,608,039)</b>	<b>(230,494,512)</b>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	-	231,912,610	231,912,610
Interest Expense	-	(3,866,272)	(3,866,272)
Other Nonoperating Expense	-	(13,714,975)	(13,714,975)
<b>Net Nonoperating Revenues</b>	<b>-</b>	<b>214,331,363</b>	<b>214,331,363</b>
Other Revenues, Expenses, Gains, and Losses	1,000,000	6,419,167	7,419,167
<b>Increase (Decrease) in Net Position</b>	<b>1,113,527</b>	<b>(9,857,509)</b>	<b>(8,743,982)</b>
Net Position, Beginning of Year	1,975,098	830,970,550	832,945,648
Adjustment to Beginning Net Position (1)	-	(48,599,176)	(48,599,176)
<b>Net Position, Beginning of Year, as Restated</b>	<b>1,975,098</b>	<b>782,371,374</b>	<b>784,346,472</b>
<b>Net Position, End of Year</b>	<b>\$ 3,088,625</b>	<b>\$ 772,513,865</b>	<b>\$ 775,602,490</b>

Note: (1) Adjustment to beginning net position due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

## Condensed Statement of Cash Flows

	<u>Blended Component Unit</u>		<u>Total</u>
	<u>Florida Atlantic</u>		
	<u>University</u>		<u>Primary</u>
	<u>College of Medicine</u>	<u>University</u>	<u>Government</u>
	<u>Self-Insurance Program</u>		
Net Cash Provided (Used) by:			
Operating Activities	\$ (25,190)	\$ (198,284,110)	\$ (198,309,300)
Noncapital Financing Activities		229,892,921	229,892,921
Capital and Related Financing Activities	1,000,000	(28,894,002)	(27,894,002)
Investing Activities	(2,485,409)	(3,564,079)	(6,049,488)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,510,599)</b>	<b>(849,270)</b>	<b>(2,359,869)</b>
Cash and Cash Equivalents, Beginning of Year	2,206,949	7,634,730	9,841,679
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 696,350</b>	<b>\$ 6,785,460</b>	<b>\$ 7,481,810</b>

## 20. Discretely Presented Component Units

The University has five discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely



presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

### Condensed Statement of Net Position

	Direct-Support Organizations				Health Science Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institution Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.	
<b>Assets:</b>						
Current Assets	\$ 94,845,666	\$ 516,972	\$ 66,234,640	\$ 32,581,761	\$ 583,924	\$ 194,762,963
Capital Assets, Net	9,148,444	-	2,602,198	131,549,978	-	143,300,620
Other Noncurrent Assets	168,456,836	-	-	28,823,947	-	197,280,783
<b>Total Assets</b>	<b>272,450,946</b>	<b>516,972</b>	<b>68,836,838</b>	<b>192,955,686</b>	<b>583,924</b>	<b>535,344,366</b>
<b>Liabilities:</b>						
Current Liabilities	3,274,885	73,208	155,260	15,565,987	50,320	19,119,660
Noncurrent Liabilities	8,112,505	-	-	205,129,894	-	213,242,399
<b>Total Liabilities</b>	<b>11,387,390</b>	<b>73,208</b>	<b>155,260</b>	<b>220,695,881</b>	<b>50,320</b>	<b>232,362,059</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	9,148,444	-	2,602,198	(33,666,940)	-	(21,916,298)
Restricted Nonexpendable	147,766,326	-	-	-	-	147,766,326
Restricted Expendable	93,668,425	-	66,134,756	21,985,890	-	181,789,071
Unrestricted	10,480,361	443,764	(55,376)	(16,059,145)	533,604	(4,656,792)
<b>Total Net Position</b>	<b>\$ 261,063,556</b>	<b>\$ 443,764</b>	<b>\$ 68,681,578</b>	<b>\$ (27,740,195)</b>	<b>\$ 533,604</b>	<b>\$ 302,982,307</b>

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

	Direct-Support Organizations				Health Science Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institution Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.	
Operating Revenues	\$ 12,378,455	\$ 231,549	\$ 2,977,426	\$ 24,909,837	\$ 803,445	\$ 41,300,712
Depreciation Expense	(4,816)	-	(2,574)	(5,325,686)	-	(5,333,076)
Operating Expenses	(17,619,031)	(217,252)	(6,003,468)	(12,841,462)	(682,002)	(37,363,215)
<b>Operating Income (Loss)</b>	<b>(5,245,392)</b>	<b>14,297</b>	<b>(3,028,616)</b>	<b>6,742,689</b>	<b>121,443</b>	<b>(1,395,579)</b>
Net Nonoperating Revenues (Expenses)						
Nonoperating Revenues	4,382,768	7,068	1,729,559	5,776,729	-	11,896,124
Interest Expense	(207,115)	-	-	(12,929,553)	-	(13,136,668)
Other Nonoperating Expenses	(1,282,142)	-	-	-	-	(1,282,142)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>2,893,511</b>	<b>7,068</b>	<b>1,729,559</b>	<b>(7,152,824)</b>	<b>-</b>	<b>(2,522,686)</b>
Other Revenues, Expenses, Gains, and Losses	15,132,884	-	-	232,839	-	15,365,723
<b>Increase (Decrease) in Net Position</b>	<b>12,781,003</b>	<b>21,365</b>	<b>(1,299,057)</b>	<b>(177,296)</b>	<b>121,443</b>	<b>11,447,458</b>
Net Position, Beginning of Year	248,282,553	422,399	69,980,635	(27,562,899)	412,161	291,534,849
<b>Net Position, End of Year</b>	<b>\$ 261,063,556</b>	<b>\$ 443,764</b>	<b>\$ 68,681,578</b>	<b>\$ (27,740,195)</b>	<b>\$ 533,604</b>	<b>\$ 302,982,307</b>

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 72,617,000	\$ 72,617,000	0%	\$ 157,000,000	46.3%
7/1/2011	-	105,618,000	105,618,000	0%	167,000,000	63.2%
7/1/2013	-	105,330,000	105,330,000	0%	175,000,000	60.2%

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

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

	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.268741487%	0.205028713%
University's proportionate share of the FRS net pension liability	\$ 16,397,183	\$35,294,567
University's covered-employee payroll (2)	\$ 171,154,757	\$161,228,170
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.58%	21.89%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

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

**Schedule of University Contributions –  
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$6,933,485	\$ 5,886,579
FRS contributions in relation to the contractually required contribution	<u>(6,993,485)</u>	<u>(5,886,579)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$172,516,889	\$ 171,154,757
FRS contributions as a percentage of covered-employee payroll	4.05%	3.44%

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

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

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

	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.222149140%	0.229169248%
University's proportionate share of the HIS net pension liability	\$ 20,771,487	\$19,952,196
University's covered-employee payroll (2)	\$ 65,674,496	\$66,275,325
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.63%	30.11%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 857,452	\$ 761,008
HIS contributions in relation to the contractually required HIS contribution	<u>(857,452)</u>	<u>(761,008)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 67,036,627	\$ 65,674,496
HIS contributions as a percentage of covered-employee payroll	1.28%	1.16%

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

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

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

*Changes of assumptions.* As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

*Changes of assumptions.* The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 28, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

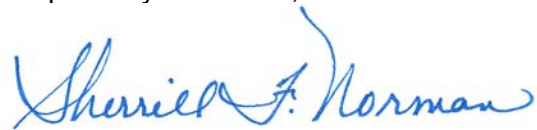
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

We noted certain matters that we reported to University management in our operational audit report No. 2016-134.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2016