FAU
BOARD OF TRUSTEES
Florida Atlantic University

Item: <u>AC: I-2</u>

AUDIT AND COMPLIANCE COMMITTEE

Tuesday, March 15, 2018

SUBJECT: REVIEW OF THE FAU FINANCIAL AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2017.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The audit of the financial statements of Florida Atlantic University for the fiscal year ended June 30, 2017, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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, 2017. An understanding of the University's environment was obtained, including its internal control and the risk of material misstatement necessary to plan the audit of the financial statements was assessed. Also examined were various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

The following provides a summary of the findings of our audit of the financial statements of the University:

- The audit disclosed that the University's basic financial statements and their discretely presented component units were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

- The audit did not identify any in internal control over financial reporting that we consider material weaknesses.

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

Financial Highlights.
The University's assets totaled $1.1 billion at June 30, 2017. This balance reflects an increase of $1.5 million, or 0.1 percent, as compared to the 2015-16 fiscal year, resulting from an increase in cash and cash equivalents and investments, and a decrease in receivables and capital assets. While assets grew, net depreciable capital assets decreased by $21.4 million due to a combination of additions, deletions, and an increase in accumulated depreciation. Total liabilities increased by $49.3 million, or 18.1 percent, totaling $322.1 million at June 30, 2017, as a result of a $37.7 million increase in the net pension liability (NPL), a $9.1 million increase in the other postemployment benefit (OPEB) liability, and an increase of $2 million in compensated absences. The University also recorded deferred outflows of $49.5 million representing an increase of $23.4 million, and $1.6 million of deferred inflows representing a decrease of $8.6 million. As a result, the University's net position decreased by $15.7 million, resulting in a year-end balance of $782.5 million.

The University's beginning net position was decreased by $14 million due to a one-time, extraordinary circumstance surrounding the conversion of grant data to a new Enterprise Resource Planning (ERP) System. As a result, the adjustment also decreased receivables.

The University's operating revenues totaled $282.4 million for the 2016-17 fiscal year, representing a 1.6 percent increase compared to the 2015-16 fiscal year due mainly to an increase of $3.1 million in net tuition and fees as a result of a higher caliber student population enrolled in more billable credit hours and an increase in Market Rate Executive program revenue, a $5.6 million increase in sales and services of auxiliary enterprises due to an increase in the Graduate Medical Education program, and a $4.2 million decrease in other operating revenues. Operating expenses totaled $550.6 million for the 2016-17 fiscal year, representing an increase of 7.8 percent as compared to the 2015-16 fiscal year due mainly to a $41.6 million increase in compensation and employee benefits from general merit increases, one-time bonuses, increases in the OPEB and NPL, and a $2.2 million decrease in the services and supplies associated with the operational costs.

IMPLEMENTATION PLAN/DATE

Not applicable.

FISCAL IMPLICATIONS

Not applicable.

Supporting Documentation: FAU Financial Audit for the Fiscal Year Ended June 30, 2017

Presented by:
Mr. Jeff Atwater, Vice President for Strategic Initiatives and CFO **Phone:** 561-297-3267

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2018-119
February 2018

FLORIDA ATLANTIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2017

Sherrill F. Norman, CPA
Auditor General

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

The team leader was Samantha M. Palaigos, CPA, and the supervisor was Diana G. Garza, CPA.

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

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FLORIDA ATLANTIC UNIVERSITY

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SUMMARY

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, 2017. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida 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, 2017, 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 blended and aggregate discretely presented component units. The financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, represent 0.38 percent, 0.46 percent, and 0.12 percent, respectively, of the assets, net position, and revenues, reported for Florida Atlantic University. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those financial 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 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, 2017, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **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 dated February 27, 2018, on our consideration of the 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 effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2017, 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, 2017, and June 30, 2016.

FINANCIAL HIGHLIGHTS

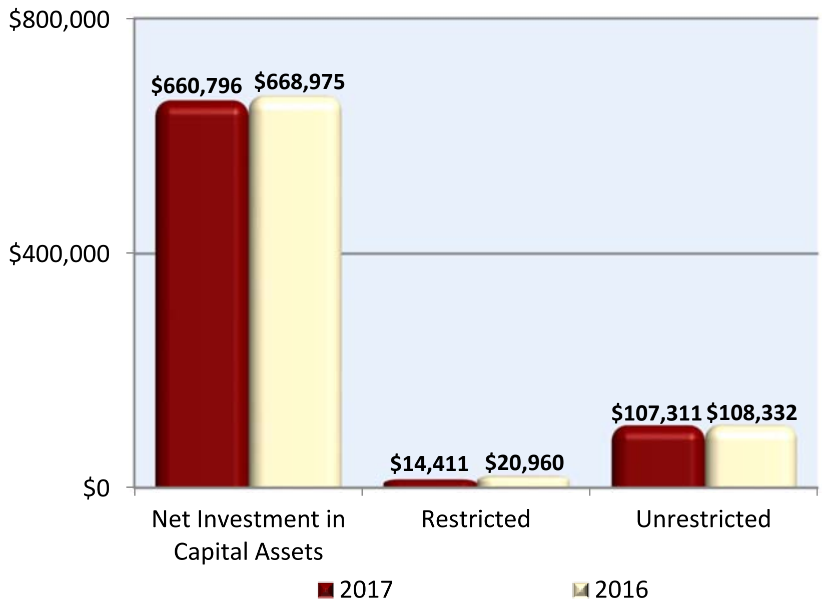
The University's assets totaled $1.1 billion at June 30, 2017. This balance reflects a $1.5 million, or 0.1 percent, increase as compared to the 2015-16 fiscal year, resulting from an increase in cash and cash equivalents and investments, and a decrease in receivables and capital assets. While assets grew, net depreciable capital assets decreased by $21.4 million due to a combination of additions, deletions, and an increase in accumulated depreciation. Total liabilities increased by $49.3 million, or 18.1 percent, totaling $322.1 million at June 30, 2017, as a result of a $37.7 million increase in the net pension liability (NPL), a $9.1 million increase in the other postemployment benefits (OPEB) liability, and an increase of $2 million in compensated absences. The University also recorded deferred outflows of $49.5 million representing an increase of $23.4 million, and $1.6 million of deferred inflows representing a decrease of $8.6 million. As a result, the University's net position decreased by $15.7 million, resulting in a year-end balance of $782.5 million.

The University's operating revenues totaled $282.4 million for the 2016-17 fiscal year, representing a 1.6 percent increase compared to the 2015-16 fiscal year due mainly to an increase of $3.1 million in net tuition and fees, a $5.6 million increase in sales and services of auxiliary enterprises, and a $4.2 million decrease in other operating revenues. Operating expenses totaled $550.6 million for the 2016-17 fiscal year, representing an increase of 7.8 percent as compared to the 2015-16 fiscal year due mainly to a $41.6 million increase in compensation and employee benefits from general merit increases, one-time bonuses, increases in the OPEB and NPL, and a $2.2 million decrease in the services and supplies 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, 2017, and June 30, 2016, is shown in the following graph:

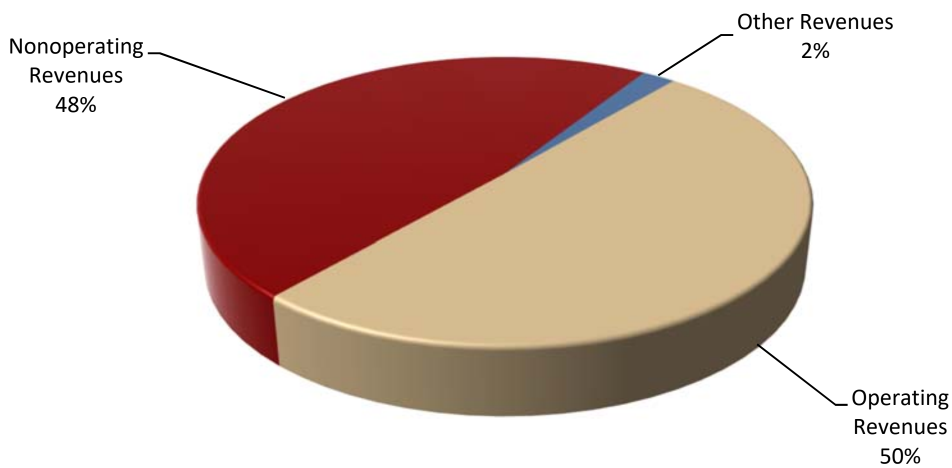
Net Position

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2016-17 fiscal year:

Total Revenues
2016-17 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:

- o Florida Atlantic University College of Medicine Self-Insurance Program
- Discretely Presented Component Units:
  - o Florida Atlantic University Foundation, Inc.
  - o Florida Atlantic University Research Corporation, Inc.
  - o Harbor Branch Oceanographic Institute Foundation, Inc.
  - o FAU Finance Corporation
  - o FAU 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 Institute Foundation, Inc., report under Financial Accounting Standards Board (FASB) 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)

	2017	2016
Assets		
Current Assets	$ 302,920	$ 292,342
Capital Assets, Net	746,843	758,971
Other Noncurrent Assets	7,013	3,917
Total Assets	1,056,776	1,055,230
Deferred Outflows of Resources	49,455	26,063
Liabilities		
Current Liabilities	50,209	43,451
Noncurrent Liabilities	271,939	229,408
Total Liabilities	322,148	272,859
Deferred Inflows of Resources	1,565	10,167
Net Position		
Net Investment in Capital Assets	660,796	668,975
Restricted	14,411	20,960
Unrestricted	107,311	108,332
Total Net Position	$ 782,518	$ 798,267

Total assets as of June 30, 2017, increased by $1.5 million or 0.1 percent. The increase in current assets is due to more University funds being reported as cash and cash equivalents and investments, and an increase in funds due from the State. Specifically, funds due from the State for capital construction projects increased by $5.1 million mainly due to the expansion of the Student Union and the Jupiter STEM/Life Science Building. While current assets increased, net capital assets decreased $12.1 million primarily due to a combination of $24.7 million of additions, $14.8 million of deletions, and a $22 million increase in accumulated depreciation. Compared to the 2015-16 fiscal year and as a result of the actuarial valuation for the period as of June 30, 2017, deferred outflows of resources increased by $23.4 million and deferred inflows of resources decreased $8.6 million. Overall, total liabilities as of June 30, 2017, increased by $49.3 million or 18.1 percent due to an increase in the University's proportionate share of the NPL of $37.7 million, an increase of $9.1 million in OPEB, and an increase of $2 million in compensated absences. The net effect of total assets net of liabilities decreased the University's net position by $15.7 million.

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 2016-17 and 2015-16 fiscal years:

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

(In Thousands)

	2016-17	2015-16
Operating Revenues	$ 282,374	$ 277,994
Less, Operating Expenses	550,553	510,806
Operating Loss	(268,179)	(232,812)
Net Nonoperating Revenues	254,694	241,776
Income (Loss) Before Other Revenues	(13,485)	8,964
Other Revenues	11,766	13,700
Net Increase (Decrease) In Net Position	(1,719)	22,664
Net Position, Beginning of Year	798,267	775,603
Adjustment to Beginning Net Position (1)	(14,030)	-
Net Position, Beginning of Year, as Restated	784,237	775,603
Net Position, End of Year	$ 782,518	$ 798,267

Note: (1) For the 2016-17 fiscal year, as discussed in Note 2. to the financial statements, the University's beginning net position was decreased due to a one-time extraordinary circumstance surrounding the conversion of grant data to a new ERP system.

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 2016-17 and 2015-16 fiscal years:

Operating Revenues
For the Fiscal Years

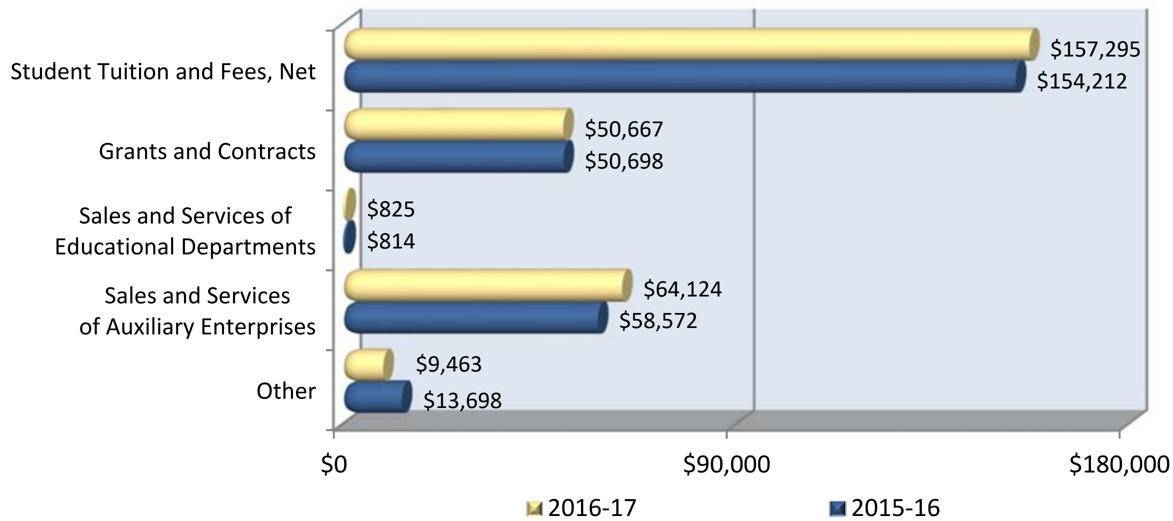
(In Thousands)

	2016-17	2015-16
Student Tuition and Fees, Net	$ 157,295	$ 154,212
Grants and Contracts	50,667	50,698
Sales and Services of Educational Departments	825	814
Sales and Services of Auxiliary Enterprises	64,124	58,572
Other	9,463	13,698
Total Operating Revenues	$ 282,374	$ 277,994

The following chart presents the University's operating revenues for the 2016-17 and 2015-16 fiscal years:

Operating Revenues

(In Thousands)



For the fiscal year ending June 30, 2017, the University's operating revenues had an overall increase of $4.4 million. This impact is mainly attributable to the increase in billable credit hours and the rise in auxiliary revenues offset by a decrease in National Collegiate Athletic Association (NCAA) athletics revenue. Due to strategic planning and implementation, student tuition and fees increased $3.1 million as the result of a higher caliber student population enrolled in more billable credit hours. Additionally, there was an increase in Market Rate Executive program revenue. In addition, sales and services of auxiliary enterprises increased $5.6 million due to an increase in the Graduate Medical Education program.

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 2016-17 and 2015-16 fiscal years:

Operating Expenses
For the Fiscal Years

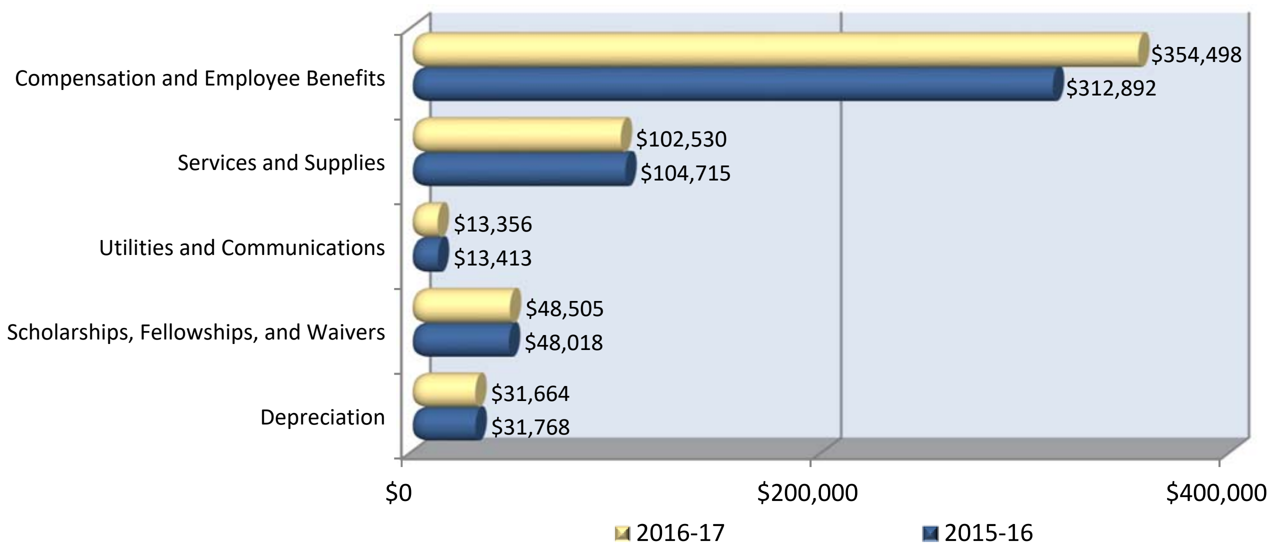
(In Thousands)

	2016-17	**2015-16**
Compensation and Employee Benefits	$ 354,498	$ 312,892
Services and Supplies	102,530	104,715
Utilities and Communications	13,356	13,413
Scholarships, Fellowships, and Waivers	48,505	48,018
Depreciation	31,664	31,768
Total Operating Expenses	$ 550,553	$ 510,806

The following chart presents the University's operating expenses for the 2016-17 and 2015-16 fiscal years:

Operating Expenses

(In Thousands)



As a whole, total operating expenses increased by $39.7 million, primarily due to an increase in compensation and employee benefits expense. Compensation and employee benefits increased by $41.6 million primarily due to a combination of a one-time merit payment awarded as a percentage of base salary from performance reviews for the 2015-16 fiscal year, United Faculty of Florida (UFF) collective bargaining increases, OPEB expenses, and pension expense.

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 2016-17 and 2015-16 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2016-17	**2015-16**
State Noncapital Appropriations	$ 190,415	$ 173,194
Federal and State Student Financial Aid	53,659	54,893
Investment Income	3,423	3,397
Unrealized Gains (Losses)	(5,113)	2,968
Other Nonoperating Revenues	19,833	12,530
Loss on Disposal of Capital Assets	(3,784)	(1,233)
Interest on Capital Asset-Related Debt	(3,307)	(3,732)
Other Nonoperating Expenses	(432)	(241)
Net Nonoperating Revenues	$ 254,694	$ 241,776

Total net nonoperating revenues increased by $12.9 million, or 5.3 percent, primarily due to an increase of $17.2 million in State noncapital appropriations, offset by unrealized losses and a decrease in Federal and State Student Financial Aid. The increase in State noncapital appropriations resulted from additional performance funding based on the University's achievement of criteria established by the Board of Governors including but not limited to improved graduation rates and academic progress. Federal and State Student Financial Aid decreased $1.2 million as a result of a decrease in State financial aid from the Bright Futures award program as the program increased eligibility requirements for scholarships. Further, other nonoperating revenues increased by $7.3 million primarily from the University's receipt of $6 million in institutional support to fund scholarships. The $8.1 million change in unrealized gains (losses) are due to the decrease in the Fair Market Value adjustment factor to 0.9923 at June 30, 2017, from 1.0143 at June 30, 2016, used in the valuation of the University's investments with the State Treasury.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2016-17 and 2015-16 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2016-17	**2015-16**
State Capital Appropriations	$ 11,608	$ 13,560
Capital Grants, Contracts, Donations, and Fees	158	140
Total	$ 11,766	$ 13,700

Overall, other revenues decreased by $1.9 million due to a decrease in State capital appropriations. Compared to the 2016-17 fiscal year, State capital appropriations for the 2015-16 fiscal year included significant State support for the expansion project for the Student Union. However, the 2016-17 fiscal year, includes new State capital appropriations related to the construction of the FAU STEM/Life Science Building on the University's MacArthur Campus in Jupiter, Florida.

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 2016-17 and 2015-16 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2016-17	**2015-16**
Cash Provided (Used) by:		
Operating Activities	$ (211,474)	$ (203,819)
Noncapital Financing Activities	262,966	238,108
Capital and Related Financing Activities	(25,622)	(24,355)
Investing Activities	(19,136)	(11,049)
Net Increase (Decrease) in Cash and Cash Equivalents	6,734	(1,115)
Cash and Cash Equivalents, Beginning of Year	6,367	7,482
Cash and Cash Equivalents, End of Year	$ 13,101	$ 6,367

Major sources of funds came from State noncapital appropriations ($190.4 million), net student tuition and fees ($166 million), Federal Direct Student Loan receipts ($128.2 million), sales and services of auxiliary enterprises ($63.6 million), Federal and State Student Financial Aid ($53.4 million), grants and contracts ($47 million), and other nonoperating receipts ($19.3 million). Major uses of funds were for payments made to and on behalf of employees totaling $340.1 million, disbursements to students for Federal Direct Student Loans totaling $128.3 million, payments to suppliers totaling $109.7 million, and payments to and on behalf of students for scholarships totaling $50 million. Changes in cash and cash equivalents were the result of the following factors:

- The increase in cash used by operating activities was primarily due to an increase in payments to employees.
- The increase in cash provided by noncapital financing activities was primarily due to the increase in State noncapital appropriations.
- The increase in cash used by capital and relating financing activities was primarily due to the increase in the purchase or construction of capital assets.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2017, the University had $1.2 billion in capital assets, less accumulated depreciation of $437.6 million, for net capital assets of $746.8 million. Depreciation charges for the current fiscal year totaled $31.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2017	2016
Land	$ 9,856	$ 9,856
Construction in Progress	15,316	6,078
Buildings	841,328	841,266
Infrastructure and Other Improvements	100,020	94,510
Furniture and Equipment	99,311	98,263
Library Resources	65,492	71,325
Property Under Capital Leases and Leasehold Improvements	45,645	45,707
Works of Art and Historical Treasures	5,364	5,364
Computer Software	2,081	2,166
Capital Assets, Gross	$1,184,413	$1,174,535
Less Accumulated Depreciation	437,570	415,564
Capital Assets, Net	$ 746,843	$ 758,971

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2017, were committed on the following projects: Student Union renovations, Schmidt Family Complex for Academics & Athletics Excellence, Breezeway renovations and repairs, Jupiter STEM/Life Science Building, and the College of Medicine Clinic. The University's construction commitments at June 30, 2017, are as follows:

	Amount (In Thousands)
Total Committed	$ 57,869
Completed to Date	15,316
Balance Committed	$ 42,553

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

Debt Administration

As of June 30, 2017, the University had $75.2 million in outstanding capital improvement debt payable, and capital leases payable, representing a decrease of $9.4 million, or 11.1 percent, from the prior fiscal year primarily due to the University's refinancing of Capital Improvement Student Housing Debt for $53 million in January 2017. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2017	2016
Capital Improvement Debt	$67,615	$76,360
Capital Leases	7,613	8,238
Total	$75,228	$84,598

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 Florida Legislature adopted a 4.5 percent increase in the Educational and General Budget allocation for State universities for the 2017-18 fiscal year. Florida Atlantic University's share of that increase translated to an increase of $2.7 million in Educational and General Funds including performance funding, the World Class Faculty and Scholar Program, and the SUS Professional and Graduate Degree Excellence Program. The funding priorities for Florida 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.

Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts and growing academic program offerings continue to be the priorities of the University campus for the 2017-18 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 David (Art) Kite, Executive Associate Vice President for Financial Affairs and Deputy Chief Financial Officer, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida 33431.

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

June 30, 2017

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 13,091,661	$ 32,052,186
Cash with Fiscal Agent	-	32,029,084
Investments	244,800,121	144,393,019
Accounts Receivable, Net	18,625,744	18,162,942
Loans and Notes Receivable, Net	3,700,113	-
Due from State	17,572,830	-
Due from Component Units/University	2,564,213	1,722,279
Inventories	27,866	-
Net Investment in Direct Financing-Type Lease	-	517,000
Other Current Assets	2,537,248	173,716
Total Current Assets	302,919,796	229,050,226
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	-	32,496
Restricted Cash with Fiscal Agent	9,464	18,682,441
Restricted Investments	5,161,996	161,009,170
Net Investment in Direct Financing-Type Lease	-	6,658,376
Accounts Receivable, Net	-	16,825,874
Loans and Notes Receivable, Net	1,841,588	-
Depreciable Capital Assets, Net	717,353,829	123,760,486
Nondepreciable Capital Assets	29,489,137	11,045,739
Other Noncurrent Assets	-	9,070,167
Total Noncurrent Assets	753,856,014	347,084,749
Total Assets	1,056,775,810	576,134,975
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	49,455,635	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,493,181	1,870,434
Salary and Wages Payable	8,934,272	6,174
Deposits Payable	5,660,602	-
Due to State	29,508	-
Due to Component Units/University	1,743,422	2,525,706
Unearned Revenue	16,941,178	4,174,766
Other Current Liabilities	-	6,250,998
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,395,000	-
Bonds Payable	-	5,000,000
Certificates of Participation Payable	-	517,000
Capital Leases Payable	659,061	-
Unearned Lease Revenue	400,000	-
Compensated Absences Payable	2,206,140	21,635
Net Pension Liability	746,253	-
Total Current Liabilities	50,208,617	20,366,713

FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2017

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable (CIDP)	63,220,000	-
CIDP Net Unamortized Premium and Discount	4,454,477	-
Bonds Payable	-	194,100,000
Bonds Payable Unamortized Premium	-	1,139,078
Certificates of Participation Payable	-	6,668,000
Capital Leases Payable	6,953,656	-
Compensated Absences Payable	26,377,186	258,677
Other Noncurrent Liabilities	1,833,748	-
Other Postemployment Benefits Payable	63,510,000	-
Unearned Lease Revenue	8,666,667	-
Net Pension Liability	96,923,409	-
Total Noncurrent Liabilities	271,939,143	202,165,755
Total Liabilities	322,147,760	222,532,468
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	1,565,342	-
NET POSITION		
Net Investment in Capital Assets	660,796,486	(23,241,080)
Restricted for Nonexpendable:		
Endowment	-	166,139,416
Restricted for Expendable:		
Debt Service	-	23,705,835
Loans	4,094,633	-
Other	10,316,496	189,679,924
Unrestricted	107,310,728	(2,681,588)
TOTAL NET POSITION	$ 782,518,343	$ 353,602,507

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, 2017

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $60,942,303	$ 157,295,040	$ -
Federal Grants and Contracts	27,989,154	-
State and Local Grants and Contracts	14,641,654	2,908,741
Nongovernmental Grants and Contracts	8,035,715	2,063,828
Sales and Services of Educational Departments	824,603	-
Sales and Services of Auxiliary Enterprises ($6,020,396 Pledged for Housing Facility Revenue Bonds and $7,091,579 Pledged for the Parking System Revenue Bonds)	64,124,340	-
Sales and Services of Component Units	-	34,520,118
Royalties and Licensing Fees	-	250,485
Gifts and Donations	-	26,917,088
Interest on Loans and Notes Receivable	175,252	183,341
Other Operating Revenues	9,287,893	1,857,649
Total Operating Revenues	282,373,651	68,701,250
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	354,498,173	13,502,443
Services and Supplies	102,529,731	11,500,610
Utilities and Communications	13,355,659	2,810,274
Scholarships, Fellowships, and Waivers	48,505,403	7,714,367
Depreciation	31,664,464	5,532,464
Other Operating Expenses	-	13,271,236
Total Operating Expenses	550,553,430	54,331,394
Operating Income (Loss)	(268,179,779)	14,369,856
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	190,415,342	-
Federal and State Student Financial Aid	53,659,475	-
Investment Income	3,423,396	15,486,962
Net Realized and Unrealized Gain (Loss) on Investments	(5,112,888)	18,583,910
Other Nonoperating Revenues	19,833,214	8,761,389
Loss on Disposal of Capital Assets	(3,784,217)	-
Interest on Capital Asset-Related Debt	(3,306,993)	(12,652,371)
Other Nonoperating Expenses	(432,647)	(1,934,050)
Net Nonoperating Revenues (Expenses)	254,694,682	28,245,840
Income (Loss) Before Other Revenues	(13,485,097)	42,615,696
State Capital Appropriations	11,608,237	-
Capital Grants, Contracts, Donations, and Fees	158,355	3,114,334
Increase (Decrease) in Net Position	(1,718,505)	45,730,030
Net Position, Beginning of Year	798,266,919	307,872,477
Adjustment to Beginning Net Position	(14,030,071)	-
Net Position, Beginning of Year, as Restated	784,236,848	307,872,477
Net Position, End of Year	$ 782,518,343	$ 353,602,507

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, 2017

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 166,021,490
Grants and Contracts	46,963,502
Sales and Services of Educational Departments	824,603
Sales and Services of Auxiliary Enterprises	63,575,314
Interest on Loans and Notes Receivable	175,252
Payments to Employees	(340,051,766)
Payments to Suppliers for Goods and Services	(109,746,083)
Payments to Students for Scholarships and Fellowships	(50,012,784)
Loans Issued to Students	(2,506,266)
Collection on Loans to Students	354,933
Other Operating Receipts	12,928,322
Net Cash Used by Operating Activities	(211,473,483)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	190,415,342
Federal and State Student Financial Aid	53,358,373
Operating Subsidies and Transfers	7,836
Federal Direct Loan Program Receipts	128,229,768
Federal Direct Loan Program Disbursements	(128,256,209)
Other Nonoperating Receipts	19,253,620
Other Nonoperating Disbursements	(42,772)
Net Cash Provided by Noncapital Financing Activities	262,965,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	6,083,558
Capital Grants, Contracts, Donations and Fees	158,355
Purchase or Construction of Capital Assets	(23,320,454)
Principal Paid on Capital Debt	(4,535,000)
Interest Paid on Capital Debt	(3,105,771)
Principal Paid on Capital Leases	(668,090)
Interest Paid on Capital Leases	(201,222)
Other Debt Related Disbursements	(33,796)
Net Cash Used by Capital and Related Financing Activities	(25,622,420)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(22,387,863)
Investment Income	3,252,096
Net Cash Used by Investing Activities	(19,135,767)
Net Increase in Cash and Cash Equivalents	6,734,288
Cash and Cash Equivalents, Beginning of Year	6,366,837
Cash and Cash Equivalents, End of Year	$ 13,101,125

FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2017

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (268,179,779)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	31,664,464
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	4,474,403
Inventories	19,925
Loans and Notes Receivable	(2,151,333)
Other Current Assets	(167,089)
Accounts Payable	762,786
Salaries and Wages Payable	(2,142,967)
Deposits Payable	9,880
Compensated Absences Payable	1,962,930
Unearned Revenue	2,057,793
Other Liabilities	5,348,901
Other Postemployment Benefits Payable	9,117,000
Net Pension Liability	37,743,918
Deferred Outflows of Resources Related to Pensions	(23,392,694)
Deferred Inflows of Resources Related to Pensions	(8,601,621)
NET CASH USED BY OPERATING ACTIVITIES	$ (211,473,483)

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.	$ (5,112,888)
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.	$ (3,784,217)
The Division of Bond Finance issued $53,040,000 of Capital Improvement Housing Revenue Refunding Bonds, Series 2016A, to refund $57,250,000 of outstanding Capital Improvement Housing Revenue Bonds, Series 2003, Series 2006A, and Series 2006B. The new debt and defeasance of the old debt were recorded as an increase and a decrease, respectively, to capital improvement debt payable on the statement of net position; however, because the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the Series 2003, Series 2006A, and Series 2006B debt, the transaction did not affect cash and cash equivalents.	$ 4,210,000

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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. The condensed financial statements are reported net of eliminations.

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 Statutes authorize 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. (FAU 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 FAU Foundation.
- Florida Atlantic University Research Corporation, Inc. (Research 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 Research 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 Research Corporation is entitled to a portion of the royalties, license fees, or other revenue for the benefit of the University. The Research 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 Institute Foundation, Inc. (HBOI Foundation) is a separate corporation operating independently from the University that became a provider of funding and support for the research and education in marine science and ocean engineering to the Harbor Branch Oceanographic Institute, a research institute within the University. The HBOI 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.
- FAU Finance Corporation (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 FAU Clinical Practice Organization, Inc. (FAU CPO) is closely affiliated with the University's Charles Schmidt College of Medicine, the Christine E. Lynn College of Nursing, and other participating colleges and units within the University. The FAU CPO 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

Measurement Focus and 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 the accrual basis of accounting. The Research Corporation, the Finance Corporation, and the FAU CPO follow GASB standards of accounting and financial reporting. The FAU Foundation and the HBOI Foundation 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, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, 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.

Three of the University's component units, FAU Foundation, Research Corporation, and Finance Corporation reported cash, cash equivalents, and cash with fiscal agent at fair value of $61,696,770 at June 30, 2017, 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 State Treasury SPIA investment pool carried a credit rating of A+f by Standard and Poor's and had an effective duration of 2.8 years and a fair value factor of 0.9923 at June 30, 2017. The component units rely on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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.

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 acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property, 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, other noncurrent liabilities, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year. 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 positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. 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. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $14,030,071 due to a one-time, extraordinary circumstance surrounding the conversion of grant data to a new Enterprise Resource Planning (ERP) system. As a result, the adjustment also decreased receivables.

3. Investments

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

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2017, are valued using quoted market prices (Level 1 inputs), with the exception of corporate bonds which are valued using a matrix pricing model (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

External Investment Pools

The University reported investments at fair value totaling $247,004,756 at June 30, 2017, in the SPIA investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.8 years and fair value factor of 0.9923 at June 30, 2017. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The University's College of Medicine Self-Insurance Program, a blended component unit of the University, invested in equity mutual funds and bond mutual funds. Equity mutual fund investments consist of shares 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. The Program's investments are recorded at fair value and the program categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The Program's recurring fair value measurements at June 30, 2017, for its equity mutual funds and bond mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Program are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their net asset value (NAV) and to transact at that price. The mutual funds held by the Program are deemed to be actively traded.

The Program's investments at June 30, 2017, are reported as follows:

	Self-Insurance Program Investments			
Investments by Fair Value Level	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Mutual Funds:				
Domestic Equity Funds	$ 673,910	$ -	$ -	$ 673,910
Global Equity Funds	317,570	-	-	317,570
Total Equity Mutual Funds	991,480	-	-	991,480
Bond Mutual Funds:				
Short-Term Bond Funds	1,597,710	-	-	1,597,710
Intermediate-Term Bond Funds	368,171	-	-	368,171
Total Bond Mutual Funds	1,965,881	-	-	1,965,881
Total Investments at Fair Value	$ 2,957,361	$ -	$ -	$ 2,957,361

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's investments in bond mutual funds are subject to interest rate risk. The effective duration of the Program's investments in bond mutual funds as of June 30, 2017, range from 2.78 years to 6.52 years.

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, 2017, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

Self-Insurance Program Investments Quality Ratings

Investment Type	**Fair Value**	**AAA/Aaa**	**AA/Aa**	**A/Ba**	**Less Than A/Ba Or Not Rated**
Bond Mutual Funds	$ 1,965,881	$ -	$ 1,597,710	$ 368,171	$ -

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, 2017.

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, 2017, are shown below:

Self-Insurance Program Concentration of Credit Risk

Investment Type	Fair Value	Percent of Program's Total Investments
Vanguard International Stock Index Fund	$ 317,570	11%
Vanguard Total Stock Market Index Fund	673,910	23%
Vanguard Short-Term Bond Index Fund	1,597,710	54%
Vanguard Intermediate-Term Bond Index Fund	368,171	12%
Total Investments	$ 2,957,361	100%

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

Component Units' Investments – FAU Foundation

The FAU Foundation, a component unit of the University, invested primarily in domestic and international equity, fixed income securities, and alternative investments such as hedge funds, private equity and real asset funds. Investments at June 30, 2017, consisted of the following at their fair value:

Investment Type	Amount
United States Equities	$ 48,689,001
International Equities	66,651,370
Fixed Income Securities	35,266,599
Hedge Funds	44,407,801
Private Equity Funds	12,247,447
Real Asset Funds	24,510,925
Total Investments	$ 231,773,143

Interest and dividend income reflected in the statements of activities for the year ended June 30, 2017, is presented net of the estimated investment manager/custodian fees of approximately $1,717,000. Investments in common stocks (equities) and exchange traded funds are carried at market value, as quoted on major stock exchanges. Investments in equity funds, fixed income funds, commodities and real estate investment trusts are carried at market value, as reported by the issuers. Alternative investments consist of hedge funds, private equity, and real asset funds. Alternative investments (nontraditional, not readily marketable assets), some of which are structured such that the FAU Foundation holds limited partnership interests, are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may in turn include investments in both nonmarketable and market traded securities. Valuation of these investments and, therefore FAU Foundation holdings, are determined by the investment manager or general partner. Values may be based on historical costs, appraisals, or other estimates that require varying degrees of judgment. While these financial instruments may contain varying degrees of risk, the FAU Foundation's risk with respect to such transactions is limited to its capital balance, and any remaining commitments, in each investment. The financial statements of the investees are audited annually by certified public accounting firms.

The FAU Foundation believes the methods for providing estimated fair values on these financial instruments are reasonable. Alternative investments often do not have readily determinable market values and their estimated value is subject to uncertainty. Therefore, there may be a significant difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments in equities and domestic fixed income securities are highly liquid. The investments in international fixed income are restricted by the donors to remain in these investments. If liquidation were allowed, the sale would likely be discounted on a secondary market. Several hedge fund instruments require an initial lock-up period from 1 to 3 years. The FAU Foundation typically selects the shortest lock-up period available when initiating a purchase. Certain private equity and real asset fund investments may require a lock-up period of up to 10 years or for the duration of the partnership, although distributions of capital are periodically made by the managing partners when a project completes.

The FAU Foundation invests in hedging activities in order to mitigate the risk inherent with market fluctuations and its hedge fund managers may invest in derivative instruments. At June 30, 2017, the FAU Foundation invested approximately 19 percent of the managed portfolio with hedge fund managers.

Component Units' Investments – FAU Foundation – Funds Held in Trust by Others

The FAU Foundation is the sole beneficiary of certain trust that are not in its possession or under its control, but are held and administered by outside trustees. These funds held in trust by others are considered part of the FAU Foundation's endowments. The FAU Foundation recognizes the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when the FAU Foundation is notified of its existence. The present value is calculated using discount rates the year in which the trust was established.

Funds held in trust by others at June 30, 2017, consisted of the following at their fair value:

Investment Type	Amount
United States Equities	$ 1,588,337
International Equities	709,168
Fixed Income Securities	528,749
Hedge Funds	252,514
Cash and Equivalents	98,232
Commodities	20,548
Total Funds Held in Trust	$ 3,197,548

Component Units' Investments – FAU Foundation - Fair Value Measurement

The following table presents the FAU Foundation's investments measured at fair value as of June 30, 2017, which include investments and funds held in trust by others, on the statement of financial position.

These assets are classified by ASC No. 820 fair value hierarchy as follows:

Florida Atlantic University Foundation, Inc.

Investment Type	Level 1	Level 2	Level 3	Investments Valued at NAV	Total
Equities	$ 117,637,876	$ -	$ -	$ -	$ 117,637,876
Other	15,510,384	98,232	-	65,928,851	81,537,467
Fixed Income	33,413,649	2,381,699	-	-	35,795,348
Total Investments	$ 166,561,909	$ 2,479,931	$ -	$ 65,928,851	$ 234,970,691

For the year ended June 30, 2017, there were no transfers between Levels. The FAU Foundation's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

The following table identifies alternative investments held by the FAU Foundation at June 30, 2017:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-Short Strategy	$20,328,326	$ -	Quarterly and Semi-Annually	60 to 180 Days
Private Equity	12,247,447	11,211,247	Duration of Partnership	N/A
Multi-Strategy	11,653,756	-	Quarterly, Over One Year and Duration of Partnership	60 to 70 Days and N/A
Real Assets	9,273,603	4,267,638	Monthly and Duration of Partnership	30 Days and N/A
Global Macro Strategy	4,955,361	-	Monthly	60 Days
Relative Value Credit Strategy	4,660,351	-	Quarterly	45 Days
Small/Micro Cap Healthcare Strategy	2,525,480	-	Semi-Annually	30 Days
Distressed Strategy	284,527	-	Duration of Partnership	N/A
Total	$65,928,851	$ 15,478,885		

Component Units' Investments – HBOI Foundation

The HBOI Foundation, a component unit of the University, invested in various types of mutual funds and exchange traded funds, multi-strategy hedge funds, and diversified offshore funds. The fair value of investments at June 30, 2017, including the following:

HBOI Foundation, Inc.

Investment Type	Not Classified	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 73,857	$ -	$ -	$ -	$ 73,857
Mutual Funds and Exchange Traded Funds:					
Fixed Income	-	16,552,295	-	-	16,552,295
Large Cap	-	30,039,673	-	-	30,039,673
Small Cap	-	10,219,755	-	-	10,219,755
International	-	12,215,043	-	-	12,215,043
Alternative	-	1,330,875	-	-	1,330,875
Total Investments	$ 73,857	$ 70,357,641	$ -	$ -	$ 70,431,498

Concentration of Credit Risk: The HBOI Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The HBOI Foundation has not experienced any losses on such accounts. The HBOI Foundation has significant investments in equities, mutual funds, exchange traded funds, and hedge funds, which are also subject to concentrations of credit risk. Investments are made by investment managers engaged by the HBOI Foundation and the investments are monitored for the HBOI Foundation by an investment consultant. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the investment policy is prudent for the long-term welfare of the HBOI Foundation and its beneficiaries.

4. 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, 2017, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 9,730,582
Student Tuition and Fees	7,743,646
Other	1,151,516
Total Accounts Receivable	$ 18,625,744

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 $12,611,723 and $466,301, respectively, at June 30, 2017.

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

5. Due From State

The amount due from State consists of $17,572,830 of Public Education Capital Outlay (PECO) and Capital Improvement Fee allocations due from the State to the University for construction of University facilities.

6. Due From and To Component Units/University

The $2,564,213 reported as due from component units consists of amounts owed to the University by the FAU Foundation to reimburse funds expended out of departmental FAU Foundation accounts; by the Finance Corporation for the reimbursement of costs associated with student housing operations; by the FAU CPO for the reimbursement of costs associated with the FAU CPO; by the HBOI Foundation to reimburse the University for FAU Harbor Branch research costs; and by the Research Corporation for legal and other costs the University incurs on behalf of the Research Corporation in patenting technologies. The $1,743,422 reported as due to component units consists of amounts owed by the University to the FAU Foundation pursuant to an agreement to support the FAU Foundation's operations; the Finance Corporation pursuant to a management agreement for operations; and the FAU CPO pursuant to an agreement to support the FAU CPO's operations.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 9,856,277	$ -	$ -	$ 9,856,277
Works of Art and Historical Treasures	4,316,620	-	-	4,316,620
Construction in Progress	6,078,018	13,321,677	4,083,455	15,316,240
Total Nondepreciable Capital Assets	$ 20,250,915	$ 13,321,677	$ 4,083,455	$ 29,489,137
Depreciable Capital Assets:				
Buildings	$ 841,266,452	$ 61,508	$ -	$ 841,327,960
Infrastructure and Other Improvements	94,510,338	5,509,509	-	100,019,847
Furniture and Equipment	98,263,484	5,730,189	4,682,329	99,311,344
Library Resources	71,325,017	24,817	5,857,705	65,492,129
Property Under Capital Leases and Leasehold Improvements	45,706,995	-	61,508	45,645,487
Works of Art and Historical Treasures	1,047,328	-	-	1,047,328
Computer Software	2,165,536	58,362	143,290	2,080,608
Total Depreciable Capital Assets	1,154,285,150	11,384,385	10,744,832	1,154,924,703
Less, Accumulated Depreciation:				
Buildings	246,003,760	17,686,587	-	263,690,347
Infrastructure and Other Improvements	37,212,008	2,942,857	-	40,154,865
Furniture and Equipment	57,386,708	7,241,120	4,045,758	60,582,070
Library Resources	62,145,515	2,239,519	5,438,739	58,946,295
Property Under Capital Leases and Leasehold Improvements	10,738,081	1,401,799	30,674	12,109,206
Works of Art and Historical Treasures	200,050	25,659	-	225,709
Computer Software	1,878,749	126,923	143,290	1,862,382
Total Accumulated Depreciation	415,564,871	31,664,464	9,658,461	437,570,874
Total Depreciable Capital Assets, Net	$ 738,720,279	$ (20,280,079)	$ 1,086,371	$ 717,353,829

8. Unearned Revenue

Unearned revenue at June 30, 2017, 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, 2017. As of June 30, 2017, the University reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 9,912,027
Contracts and Grants	6,778,135
State Capital Appropriations	251,016
Total Unearned Revenue	$ 16,941,178

9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2017, include capital improvement debt payable, capital leases payable, unearned lease revenue, other noncurrent liabilities, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2017, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable (1)	$ 76,360,000	$ 53,040,000	$ 61,785,000	$ 67,615,000	$ 4,395,000
Capital Leases Payable	8,237,808	-	625,091	7,612,717	659,061
Unearned Lease Revenue	9,466,667	-	400,000	9,066,667	400,000
Other Noncurrent Liabilities	1,832,092	1,656	-	1,833,748	-
Compensated Absences Payable	26,620,396	4,236,568	2,273,638	28,583,326	2,206,140
Other Postemployment Benefits Payable	54,393,000	11,218,000	2,101,000	63,510,000	-
Net Pension Liability	59,925,744	65,592,661	27,848,743	97,669,662	746,253
Total Long-Term Liabilities	$ 236,835,707	$ 134,088,885	$ 95,033,472	$ 275,891,120	$ 8,406,454

Note: (1) Capital Improvement Debt Payable does not include $4,454,477 in net discounts and premiums outstanding for the year ended June 30, 2017.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2017:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2016A Student Housing	$ 53,040,000	$ 51,520,000	3.0 - 5.0	2036
Parking Garage Debt:				
2013A Parking Facility	21,490,000	16,095,000	2.375 - 5.0	2032
Total Capital Improvement Debt	$ 74,530,000	$ 67,615,000		

Note: (1) Capital Improvement Debt Payable does not include $4,454,477 in net discounts and premiums outstanding for the year ended June 30, 2017.

The University has pledged a portion of future housing system revenues and parking system revenues, to repay $67,615,000 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 system revenues and parking system revenues and are payable through 2036. The University has committed to appropriate each year from the housing system revenues and parking system revenues, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt (net of discounts and premiums) is $93,667,238, and principal and interest paid for the current year totaled $7,640,771. During the 2016-17 fiscal year, housing system revenues and parking system revenues totaled $6,020,396, and $7,091,579, respectively.

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

- On January 24, 2017, the Florida Board of Governors issued $53,040,000 of Capital Improvement Housing Revenue Refunding Bonds, Series 2016A. The University's portion of the refunding bonds totaling $57,791,034, net of issuance costs, was used to defease $57,250,000 of outstanding Capital Improvement Housing Revenue Bonds, Series 2003, Series 2006A, and Series 2006B. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net position. As a result of the refunding, the University reduced its capital improvement debt service requirement by $5,339,571 over the next 20 years and obtained an economic gain of $4,053,342. At June 30, 2017, the outstanding balance of the defeased debt was $0.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	**Principal** (1)	**Interest**	**Total**
2018	$ 4,395,000	$ 3,067,925	$ 7,462,925
2019	4,560,000	2,892,125	7,452,125
2020	4,810,000	2,664,125	7,474,125
2021	5,035,000	2,423,625	7,458,625
2022	3,685,000	2,171,875	5,856,875
2023-2027	18,605,000	8,334,775	26,939,775
2028-2032	19,505,000	3,853,988	23,358,988
2033-2036	7,020,000	643,800	7,663,800
Subtotal	$ 67,615,000	$ 26,052,238	$ 93,667,238

Note: (1) Capital Improvement Debt Payable does not include $4,454,477 in net discounts and premiums outstanding for the year ended June 30, 2017.

Bonds Payable – Component Unit. The Finance Corporation had the following bonds payable outstanding at June 30, 2017:

Bonds Payable	**Amount of Original Debt**	**Amount Outstanding** (1)	**Interest Rates (Percent)**	**Maturity Date To**
Student Housing Debt:				
Series 2010A Taxable BAB Bonds, Innovation Village	112,455,000	112,455,000	5.48 - 7.64	2040
Series 2010 Taxable Bonds, Stadium	44,500,000	40,585,000	5.78	2040
Series 2012B Tax-Exempt Bonds, Innovation Village	3,440,000	2,530,000	2.17	2025
Series 2012A Tax-Exempt Bonds, Parliament Hall	46,205,000	43,530,000	3.0 - 5.0	2042
Total Bonds Payable	$ 206,600,000	$ 199,100,000		

Note: (1) The Series 2010 – Taxable Bonds, Stadium provide bondholders with the option to require that the Finance Corporation purchase the bonds on the initial put date of October 1, 2017, in the amount of $39,515,000 or agree to an extended put date which cannot exceed 3 years from the initial put date, as applicable. The previous table does not reflect any accelerated amortizations that may result from under the put options as previously discussed and does not include $1,139,078 in unamortized bond premiums in the total principal outstanding for the year ended June 30, 2017.

Annual requirements to amortize all bonds payable outstanding as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 5,000,000	$ 12,346,110	$ 17,346,110
2019	5,180,000	12,085,352	17,265,352
2020	5,375,000	11,801,720	17,176,720
2021	5,580,000	11,507,999	17,087,999
2022	5,795,000	11,184,527	16,979,527
2023-2027	32,495,000	50,332,147	82,827,147
2028-2032	38,765,000	39,265,537	78,030,537
2033-2037	48,325,000	25,171,610	73,496,610
2038-2042	49,875,000	7,637,003	57,512,003
2043	2,710,000	61,656	2,771,656
Total	$ 199,100,000	$ 181,393,661	$ 380,493,661

Capital Leases Payable. During the 2011-12 fiscal year, the University entered into a capital lease agreement for energy equipment in the amount of $1,082,030 with a stated interest rate of 3.28 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	Amount
2018	$ 153,982
2019	153,982
2020	141,150
Total Minimum Payments	449,114
Less, Amount Representing Interest	21,397
Present Value of Minimum Payments	$ 427,717

The University entered into a capital lease agreement in connection with the Certificates of Participation (COP) issued by FAU Foundation 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, 2017, the amount reported by the University as capital leases payable includes $7,185,000, representing the total future payments remaining under the Certificates of Participation net of restricted cash on deposit with the Trustee.

Certificates of Participation – Component Unit. The FAU Foundation 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, 2017, Certificates of Participation payable are as follows:

COP Series	Amount of Issues	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rate	Maturity Date
2012	$ 9,540,000	$ 2,355,000	$ 7,185,000	$ 1,187,360	2.41	2030

The FAU 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 Certificates.

Unearned Lease Revenue. The University leased land to the 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 $9,066,667 at June 30, 2017, of which $400,000 was reported as current.

Other Noncurrent Liabilities. This 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, 2017, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $28,583,326. The current portion of the compensated absences liability, $2,206,140, is the amount expected to be paid in the coming fiscal year, and represents a 3-year historical percentage of leave disbursements 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 (OPEB) Plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB 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 OPEB costs or the net OPEB obligation. Premiums necessary for funding the OPEB 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 2016-17 fiscal year, 400 retirees received postemployment healthcare benefits. The University provided required contributions of $2,101,000 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 $2,878,000, 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 OPEB Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 5,880,000
Amortization of Unfunded Actuarial Accrued Liability	4,747,000
Interest on Normal Cost and Amortization	425,000
Annual Required Contribution	11,052,000
Interest on Net OPEB Obligation	2,176,000
Adjustment to Annual Required Contribution	(2,010,000)
Annual OPEB Cost (Expense)	11,218,000
Contribution Toward the OPEB Cost	(2,101,000)
Increase in Net OPEB Obligation	9,117,000
Net OPEB Obligation, Beginning of Year	54,393,000
Net OPEB Obligation, End of Year	$ 63,510,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and for the 2 preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014-15	$ 8,336,000	12.4%	$ 44,897,000
2015-16	11,362,000	16.4%	54,393,000
2016-17	11,218,000	18.7%	63,510,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $123,363,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $123,363,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $205,900,798 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 59.9 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the University's 2016-17 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. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1 percent, 7.5 percent, and 8.8 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3 percent, 5.7 percent, and 7 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 3.9 percent over 60 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, 2017, was 20 years.

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2017, the University's proportionate share of the net pension liabilities totaled $97,669,662. Note 10. includes a complete discussion of defined benefit pension plans.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 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 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $15,142,790 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *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 table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were:

Class	Percent of Gross Salary Employee	 Employer (1)
FRS, Regular	3.00	7.52
FRS, Special Risk	3.00	22.57
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $7,952,381 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a liability of $71,784,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University's proportionate share of the net pension liability was based on the University's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University's proportionate share was 0.284295076 percent, which was a decrease of 0.002548303 percent from its proportionate share measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of $13,078,740. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,496,391	$ 668,364
Change of assumptions	4,342,761	-
Net difference between projected and actual earnings on FRS Plan investments	18,555,478	-
Changes in proportion and differences between University contributions and proportionate share of contributions	7,672,540	302,867
University FRS contributions subsequent to the measurement date	7,952,381	-
Total	$ 44,019,551	$ 971,231

The deferred outflows of resources totaling $7,952,381, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	$ 5,952,247
2019	5,952,247
2020	13,186,324
2021	8,479,193
2022	1,191,066
Thereafter	334,862
Total	$ 35,095,939

Actuarial Assumptions. The total pension liability in the July 1, 2016, 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	7.60 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, 2016, 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.60 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 7.60 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
University's proportionate share of the net pension liability	$132,160,548	$71,784,730	$21,529,835

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, 2017, the University reported a payable of $582,116 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $1,220,344 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a liability of $25,884,932 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the

University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University's proportionate share of the net pension liability was based on the University's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University's proportionate share was 0.222100831 percent, which was a decrease of 0.002208987 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the University recognized pension expense of $2,064,050. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 58,956
Change of assumptions	4,062,004	-
Net difference between projected and actual earnings on HIS Plan investments	13,088	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	140,648	535,155
University HIS contributions subsequent to the measurement date	1,220,344	-
Total	$ 5,436,084	$ 594,111

The deferred outflows of resources totaling $1,220,344 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	$ 632,503
2019	632,503
2020	630,011
2021	628,811
2022	600,246
Thereafter	497,555
Total	$ 3,621,629

Actuarial Assumptions. The total pension liability at July 1, 2016, 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	2.85 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 3.80 percent from the prior measurement date.

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 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
University's proportionate share of the net pension liability	$29,695,898	$25,884,932	$22,722,038

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.

11. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State 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 and Special Risk Regular Class), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2017, 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 $1,236,128 for the fiscal year ended June 30, 2017.

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, 2.83 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 7.98 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $10,663,226, and employee contributions totaled $7,257,440 for the 2016-17 fiscal year.

12. Construction Commitments

The University's construction commitments at June 30, 2017, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Student Union Renovation	$ 15,216,555	$ 274	$ 15,216,281
Schmidt Family Complex for Academics & Athletics Excellence	13,898,677	226,689	13,671,988
Breezeway Renovations/Repairs	4,656,973	2,439,824	2,217,149
Jupiter STEM/Life Science Building	3,031,247	11,228	3,020,019
College of Medicine Clinic	1,084,176	843,094	241,082
Subtotal	37,887,628	3,521,109	34,366,519
Total Other Commitments (1)	19,982,089	11,795,131	8,186,958
Total	$ 57,869,717	$ 15,316,240	$ 42,553,477

Note: (1) Total other commitments includes a multitude of minor projects. Such minor projects represent any individual capital project under $2 million in aggregate representing a renovation, remodel, or substantial capital improvement. These projects are mainly funded by general appropriations and auxiliary sources.

13. 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, and the lease will expire in 2086. In addition, the University leased various vehicles under operating leases, which expire in 2017 and 2018. 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:

Fiscal Year Ending June 30	Amount
2018	$ 229,206
2019	219,462
2020	153,903
2021	28,456
2022	28,456
2023-2027	142,278
2028-2032	142,278
2033-2037	142,278
2038-2042	142,278
2043-2047	142,278
2048-2052	142,278
2053-2057	142,278
2058-2062	142,278
2063-2067	142,278
2068-2072	142,278
2073-2077	142,278
2078-2082	142,278
2083-2086	113,822
Total Minimum Payments Required	$ 2,480,641

14. 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 2016-17 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 $85 million for named windstorm and flood through February 14, 2017, and increased to $92.5 million starting February 15, 2017. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million through February 14, 2017, and increased to $225 million starting February 15, 2017; 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-Insured 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 is distinct from and entirely independent of the self-insurance programs administered by the State.

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 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 Program:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payment	Claims Liability End of Year
June 30, 2016	$ 88,260	$ 73,901	$ (6,930)	$ 155,231
June 30, 2017	155,231	264,200	(38,954)	380,477

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 167,783,150
Research	45,786,225
Public Services	5,443,267
Academic Support	55,936,788
Student Services	18,594,983
Institutional Support	45,198,987
Operation and Maintenance of Plant	21,816,049
Scholarships, Fellowships, and Waivers	48,505,403
Depreciation	31,664,464
Auxiliary Enterprises	109,824,114
Total Operating Expenses	$ 550,553,430

16. Segment Information

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

Condensed Statement of Net Position

	Housing Facility	Parking Facility
Assets		
Current Assets	$ 8,549,635	$ 12,289,216
Capital Assets, Net	75,460,042	31,066,246
Total Assets	84,009,677	43,355,462
Liabilities		
Current Liabilities	912,786	133,672
Noncurrent Liabilities	61,408,674	17,328,803
Total Liabilities	62,321,460	17,462,475
Net Position		
Net Investment in Capital Assets	14,051,368	13,737,443
Unrestricted	7,636,849	12,155,544
Total Net Position	$ 21,688,217	$ 25,892,987

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

	Housing Facility	Parking Facility
Operating Revenues	$ 8,518,361	$ 7,091,579
Depreciation Expense	(2,563,475)	(970,913)
Other Operating Expenses	(3,297,906)	(3,135,209)
Operating Income	2,656,980	2,985,457
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	64,818	235,579
Interest Expense	(2,947,827)	(595,915)
Other Nonoperating Expense	(1,276,274)	(795,589)
Net Nonoperating Expenses	(4,159,283)	(1,155,925)
Increase (Decrease) in Net Position	(1,502,303)	1,829,532
Net Position, Beginning of Year	23,190,520	24,063,455
Net Position, End of Year	$ 21,688,217	$ 25,892,987

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility
Net Cash Provided (Used) by:		
Operating Activities	$ 5,300,998	$ 3,691,808
Noncapital Financing Activities	(1,025,329)	(3,978,152)
Capital and Related Financing Activities	(6,641,379)	(382,376)
Investing Activities	963,624	668,770
Net Increase (Decrease) in Cash and Cash Equivalents	(1,402,086)	50
Cash and Cash Equivalents, Beginning of Year	5,599,165	600
Cash and Cash Equivalents, End of Year	$ 4,197,079	$ 650

17. 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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Assets:			
Current Assets	$ 3,979,253	$ 298,940,543	$ 302,919,796
Capital Assets, Net	-	746,842,966	746,842,966
Other Noncurrent Assets	-	7,013,048	7,013,048
Total Assets	3,979,253	1,052,796,557	1,056,775,810
Deferred Outflows of Resources	-	49,455,635	49,455,635
Liabilities:			
Current Liabilities	405,181	49,803,436	50,208,617
Noncurrent Liabilities	-	271,939,143	271,939,143
Total Liabilities	405,181	321,742,579	322,147,760
Deferred Inflows of Resources	-	1,565,342	1,565,342
Net Position:			
Net Investment in Capital Assets	-	660,796,486	660,796,486
Restricted - Expendable	-	14,411,129	14,411,129
Unrestricted	3,574,072	103,736,656	107,310,728
Total Net Position	$ 3,574,072	$ 778,944,271	$ 782,518,343

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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Operating Revenues	$ 684,912	$ 281,688,739	$ 282,373,651
Depreciation Expense	-	(31,664,464)	(31,664,464)
Other Operating Expenses	(442,183)	(518,446,783)	(518,888,966)
Operating Income (Loss)	242,729	(268,422,508)	(268,179,779)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	-	267,331,427	267,331,427
Interest Expense	-	(3,306,993)	(3,306,993)
Other Nonoperating Expense	-	(9,329,752)	(9,329,752)
Net Nonoperating Revenues	-	254,694,682	254,694,682
Other Revenues, Expenses, Gains, and Losses	-	11,766,592	11,766,592
Increase (Decrease) in Net Position	242,729	(1,961,234)	(1,718,505)
Net Position, Beginning of Year	3,331,343	794,935,576	798,266,919
Adjustment to Beginning Net Position (1)	-	(14,030,071)	(14,030,071)
Net Position, Beginning of Year, as Restated	3,331,343	780,905,505	784,236,848
Net Position, End of Year	$ 3,574,072	$ 778,944,271	$ 782,518,343

Note: (1) Adjustment to beginning net position due to a one-time extraordinary circumstance surrounding the conversion of grant data to a new ERP system.

Condensed Statement of Cash Flows

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	$ 392,697	$ (211,866,180)	$ (211,473,483)
Noncapital Financing Activities	-	262,965,958	262,965,958
Capital and Related Financing Activities	-	(25,622,420)	(25,622,420)
Investing Activities	(305,196)	(18,830,571)	(19,135,767)
Net Increase in Cash and Cash Equivalents	87,501	6,646,787	6,734,288
Cash and Cash Equivalents, Beginning of Year	934,391	5,432,446	6,366,837
Cash and Cash Equivalents, End of Year	$ 1,021,892	$ 12,079,233	$ 13,101,125

18. 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	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Assets:						
Current Assets	$ 118,386,751	$ 629,497	$ 72,140,502	$ 36,961,568	$ 931,908	$ 229,050,226
Capital Assets, Net	9,388,227	-	705,822	124,712,176	-	134,806,225
Other Noncurrent Assets	184,525,916	-	-	27,752,608	-	212,278,524
Total Assets	312,300,894	629,497	72,846,324	189,426,352	931,908	576,134,975
Liabilities:						
Current Liabilities	3,944,729	141,668	688,702	15,372,425	219,189	20,366,713
Noncurrent Liabilities	6,926,677	-	-	195,239,078	-	202,165,755
Total Liabilities	10,871,406	141,668	688,702	210,611,503	219,189	222,532,468
Net Position:						
Net Investment in Capital Assets	9,388,227	-	-	(32,629,307)	-	(23,241,080)
Restricted Nonexpendable	166,139,416	-	-	-	-	166,139,416
Restricted Expendable	113,568,447	-	72,262,071	27,555,241	-	213,385,759
Unrestricted	12,333,398	487,829	(104,449)	(16,111,085)	712,719	(2,681,588)
Total Net Position	$ 301,429,488	$ 487,829	$ 72,157,622	$ (21,185,151)	$ 712,719	$ 353,602,507

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

	Direct-Support Organizations				Health Science Center Affiliates	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Operating Revenues	$ 30,964,492	$ 161,431	$ 3,055,209	$ 31,219,640	$ 3,300,478	$ 68,701,250
Depreciation Expense	(4,816)	-	(2,575)	(5,525,073)	-	(5,532,464)
Operating Expenses	(21,444,419)	(185,957)	(3,720,604)	(20,059,670)	(3,388,280)	(48,798,930)
Operating Income (Loss)	9,515,257	(24,526)	(667,970)	5,634,897	(87,802)	14,369,856
Net Nonoperating Revenues (Expenses)	24,533,329	7,340	9,119,823	(5,414,652)	-	28,245,840
Other Revenues, Expenses, Gains, and Losses	3,114,334	-	-	-	-	3,114,334
Increase (Decrease) in Net Position	37,162,920	(17,186)	8,451,853	220,245	(87,802)	45,730,030
Net Position, Beginning of Year	264,266,568	505,015	63,705,769	(21,405,396)	800,521	307,872,477
Net Position, End of Year	$ 301,429,488	$ 487,829	$ 72,157,622	$ (21,185,151)	$ 712,719	$ 353,602,507

19. Subsequent Events – Component Unit

In August 2017, the Finance Corporation issued $40,035,000 in Capital Improvement Refunding Revenue Notes, Series 2017 for the purpose of refunding the Taxable Capital Improvement Revenue Bonds (Football Stadium), Series 2010.

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]
7/1/2011	$ -	$ 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%
7/1/2015	-	123,363,000	123,363,000	0%	182,835,559	67.5%

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

	2016 (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.284295076%	0.286843379%	0.268741487%	0.205028713%
University's proportionate share of the FRS net pension liability	$ 71,784,730	$ 37,049,671	$ 16,397,183	$ 35,294,567
University's covered payroll (2)	$ 182,835,559	$ 172,516,889	$ 171,154,757	$ 161,228,170
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	39.26%	21.48%	9.58%	21.89%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 7,952,381	$ 6,932,989	$ 6,993,485	$ 5,886,579
FRS contributions in relation to the contractually required contribution	(7,952,381)	(6,932,989)	(6,993,485)	(5,886,579)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 205,900,798	$ 182,835,559	$ 172,516,889	$ 171,154,757
FRS contributions as a percentage of covered payroll	3.86%	3.79%	4.05%	3.44%

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

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

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

	2016 (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.222100831%	0.224309818%	0.222149140%	0.229169248%
University's proportionate share of the HIS net pension liability	$ 25,884,932	$ 22,876,073	$ 20,771,487	$ 19,952,196
University's covered payroll (2)	$ 60,852,426	$ 67,036,627	$ 65,674,496	$ 66,275,325
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	42.54%	34.12%	31.63%	30.11%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.97%	0.50%	0.99%	1.78%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 1,220,344	$ 1,138,408	$ 857,452	$ 761,008
HIS contributions in relation to the contractually required HIS contribution	(1,220,344)	(1,138,408)	(857,452)	(761,008)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 72,121,462	$ 60,852,426	$ 67,036,627	$ 65,674,496
HIS contributions as a percentage of covered payroll	1.69%	1.87%	1.28%	1.16%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of $123,363,000 was significantly higher than the July 1, 2013, liability of $105,330,000 as a result of the following: (1) the per capita claims cost assumption was increased, (2) retiree contributions were not as high as expected, (3) the healthcare trend rate assumption was revised, (4) certain demographic assumptions were revised (retirement rates, termination rates, etc.), and (5) changes in allocations by agency based on current census information.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida 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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 27, 2018, 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*.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 27, 2018