

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF
MEDICINE SELF-INSURANCE PROGRAM**

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
TABLE OF CONTENTS
JUNE 30, 2015 AND 2014**

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 5
Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 16

INDEPENDENT AUDITORS' REPORT

To the Governing Council,
Florida Atlantic University College of Medicine Self-Insurance Program:

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the "Program", an operating unit of the Florida Board of Governors), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Program's 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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 opinion.

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 our report dated August 24, 2015, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Program's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
August 24, 2015

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

This discussion provides an assessment by management of the current financial position and results of operations for FAU College of Medicine Self-Insurance Program (the Program). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying financial statements and notes to the financial statements.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements, which consists of the statements of net position, statements of revenues, expenses, and changes in net assets, and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of the Program's assets and liabilities, with the difference between the two reported as the total net position. Increases or decreases in the reported net position may serve as a useful indicator of the Program's financial position.

The *statements of revenues, expenses and changes in net assets* present information showing how the Program's revenues and expenses affected the total net position during the current year. All revenue and expenses are recorded as soon as they have been incurred, regardless of the timing of related cash flows.

The *statements of cash flows* present information regarding the cash receipts and payments that occurred throughout the year. The statements show the cash effects of operating and financing transactions during a given period.

Summary of Net Position

	2015	2014	2014-2015		2013	2013-2014	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Assets							
Cash and cash equivalents	\$ 696,350	\$ 2,206,949	\$ (1,570,599)	(71.17)%	\$ 1,630,143	\$ 576,806	35.38%
Investments, at fair value	2,483,535	-	2,483,535	100.00%	-	-	-
Total Assets	3,179,885	2,206,949	972,936	44.09%	1,630,143	576,806	35.38%
Liabilities							
Unpaid losses and loss adjustment expenses	88,260	228,851	(140,591)	(61.43)%	10,200	218,651	2,143.64%
Accounts payable and accrued expenses	3,000	3,000	-	-	-	3,000	100.00%
Total Liabilities	91,260	231,851	(140,591)	(60.64)%	10,200	221,651	2,173.05%
Net Position	3,088,625	1,975,098	1,113,527	56.28%	1,619,943	355,155	21.92%
Total Liabilities and Net Position	\$ 3,179,885	\$ 2,206,949	\$ 972,936	44.09%	\$ 1,630,143	\$ 576,806	35.38%

Assets

Cash and cash equivalents decreased \$1,570,599 and investments increased \$2,483,535 during 2015, primarily due to the Council and Investment Committee's decision to invest \$2.5 million in Vanguard funds in March 2015. Prior to that decision an additional \$1,000,000 in capitalization was deposited into the Bank of America account in September 2014, which makes a total of \$3 million contributed to capitalization.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014
(Continued)**

Liabilities

Unpaid losses and loss adjustment expenses decreased approximately \$141,000 during 2015 largely due to the resolution of a claim that had open indemnity reserve at the end of June 2014. This claim was resolved in September 2014, and the indemnity reserve was decreased when the claim was closed.

Summary of Revenues, Expenses, and Changes in Net Position

	2015	2014	2014-2015		2013	2013-2014	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Operating Revenue							
Earned premiums, net	\$ 174,088	\$ 141,500	\$ 32,588	23.03%	\$ 107,104	\$ 34,396	32.11%
Investment income	13,499	4,295	9,204	214.30%	3,046	1,249	41.00%
Total operating revenues	187,587	145,795	41,792	28.66%	110,150	35,645	32.36%
Operating Expenses							
Losses and loss adjustment expenses	(24,248)	220,950	(245,198)	(110.97)%	(13,418)	234,368	(1,746.67)%
General and administrative expenses	98,308	69,690	28,618	41.06%	64,458	5,232	8.12%
Total operating expenses	74,060	290,640	(216,580)	(74.52)%	51,040	239,600	469.44%
Increase (decrease) in net position	113,527	(144,845)	258,372	(178.38)%	59,110	(85,735)	(145.04)%
Net position, beginning of year	1,975,098	1,619,943	355,155	21.92%	1,060,833	559,110	52.70%
Capital contribution	1,000,000	500,000	500,000	100.00%	500,000	-	-
Net position, end of year	\$3,088,625	\$1,975,098	\$1,113,527	56.38%	\$1,619,943	\$ 355,155	21.92%

Total operating revenues increased nearly \$42,000 during 2015. Although the investment income increased due to the addition of the Vanguard funds for the three and a half months it was invested, the majority of this increase was related to the earned premiums. The earned premiums increased during 2015 due to the administrative expenses portion that is added to the contribution to administer the Program.

Total operating expenses decreased approximately \$217,000 in 2015. Although the Program resolved a claim during the year that resulted in an indemnity payment, the settlement was less than the claims reserves that were originally earmarked in 2014 for this case due to the claims negotiations handled by the Program's claim staff. The closure of this case brought down the remaining known case reserves for that claim, which is the primary reason the losses and loss adjustment expenses resulted in a decrease for 2015.

Next Year

Management plans on being within the allowable percentage range for the fixed and equities portion of the Vanguard funds by the end of fiscal year 2015/2016. The decision was made during the initial investment committee meeting to transition the funds into the equity accounts in regular intervals in expectation of reducing the impact of the volatility of the market.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014
(Continued)**

If premiums increase, they will increase consistently with the projected growth for the FAU College of Medicine. Operating expenses should remain closely related to the Program's size, volume of activity, and other adjustments consistent with the rate of future growth.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the Florida Atlantic University College of Medicine Self-Insurance Program finances. If you have questions about this report or need additional information, please contact:

FAU College of Medicine Self-Insurance Program
PO Box 112735
Gainesville, FL 32611
(352) 273-7006

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
Assets		
Cash and cash equivalents	\$ 696,350	\$ 2,206,949
Investments, at fair value	2,483,535	-
Total Assets	3,179,885	2,206,949
Liabilities		
Unpaid losses and loss adjustment expenses	88,260	228,851
Accounts payable and accrued expenses	3,000	3,000
Total liabilities	91,260	231,851
Net Position		
Net position - unrestricted	\$ 3,088,625	\$ 1,975,098

The accompanying notes to the financial statements
are an integral part of these statements.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Operating Revenues		
Earned premiums, net	\$ 174,088	\$ 141,500
Investment income	13,499	4,295
Total operating revenues	187,587	145,795
Operating Expenses		
Losses and loss adjustment expenses	(24,248)	220,950
General and administrative	98,308	69,690
Total operating expenses	74,060	290,640
Increase (decrease) in net position	113,527	(144,845)
Net position, beginning of year	1,975,098	1,619,943
Capital contribution	1,000,000	500,000
Net position, end of year	\$ 3,088,625	\$ 1,975,098

The accompanying notes to the financial statements
are an integral part of these statements.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Cash flows from operating activities		
Revenue collected:		
Earned premiums	\$ 174,088	\$ 141,500
Investment income	15,373	4,295
Payments for expenses:		
Losses and loss adjustment expenses, net	(116,343)	(2,299)
General and administrative expenses	(98,308)	(66,690)
Net cash (used in) provided by operating activities	(25,190)	76,806
 Cash flows from financing activities		
Purchases of investments	(2,760,409)	-
Proceeds on sale of investments	275,000	-
Net cash used in investing activities	(2,485,409)	-
 Cash flows from financing activities		
Capital contribution	1,000,000	500,000
 Net (decrease) increase in cash and cash equivalents	(1,510,599)	576,806
 Cash and cash equivalents, beginning of year	2,206,949	1,630,143
 Cash and cash equivalents, end of year	\$ 696,350	\$ 2,206,949
 Reconciliation of increase in net position to net cash (used in) provided by operating activities:		
Increase (decrease) in net position	\$ 113,527	\$ (144,845)
Adjustments to reconcile increase (decrease) in net position to net cash (used in) provided by operating activities:		
Net decrease in fair value of investments	2,136	-
Net realized gains on sales of investments	(262)	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	-	3,000
Unpaid losses and loss adjustment expenses	(140,591)	218,651
Total adjustments	(138,717)	221,651
Net cash (used in) provided by operating activities	\$ (25,190)	\$ 76,806

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) **Organization and Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Florida Atlantic University Self-Insurance Program (the “Program”) which affect significant elements of the accompanying financial statements:

(a) **Organization**—The Florida Board of Governors (the “Board”), pursuant to Section 1004.24, created the Florida Atlantic University (“FAU” or the “University”) College of Medicine Self-Insurance Program (the “Program”). The Program’s purpose is to provide comprehensive general liability, including professional liability (malpractice) coverage for the educational, research and service programs of the FAU College of Medicine and College of Nursing, and FAU Student Health Services, FAU Counseling and Psychological Services, FAU College of Education and FAU Clinical Practice Organization, Inc.

The Program’s Council administers the Program as authorized by Board Rule 10.001 (Self Insurance Programs). The Program is an operating unit of the Board. The Program is a component unit (for accounting purposes only) of FAU. The net position of the program can only be used to pay claims and administrative expenses of the Program, based upon Florida Statute 1004.24(3).

From inception to October 1, 2011, the Program provided the Board and the Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from 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 this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$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 Trustees while 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. In response to the Florida Legislature increasing the limits of liability contained in s. 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 for all claims arising from a single occurrence. On May 14, 2014, the limits of student coverage were revised to \$1,000,000 per occurrence. 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.

In 1994, the then Board of Regents promulgated Rule 6C-10.001(4) of the Florida Administrative Code (now Board of Governors Regulation 10.001(2)), which authorized the formation of the Healthcare Education Insurance Company (“HEIC”). HEIC is wholly owned by the Board and is domiciled in Vermont. HEIC writes coverage for the participants in the Program for loss exposure above the Program’s retention. HEIC obtains excess loss reinsurance coverage (claims-made basis) from commercial insurance carriers for certain layers of exposure.

(b) **Basis of reporting**—The financial statements of the Program have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) **Organization and Significant Accounting Policies:** (Continued)

The Program distinguishes operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the Program, including investment income. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Program. All other expenses are reported as non-operating expenses. For the years ended June 30, 2015 and 2014, all revenues and expenses of the Program were considered to be operating revenues and operating expenses.

The Program follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

The Program is not regulated by the Florida Office of Financial Regulation and, accordingly, does not report on the basis of statutory accounting principles.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash, money market funds, and demand deposits with original maturity dates of 90 days or less when purchased.

The Program has demand deposits held at financial institutions that are secured up to FDIC limits. Amounts over FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$696,350 and \$2,206,949 as of June 30, 2015 and 2014, respectively.

(d) **Premiums**—Premiums written directly are earned ratably over the terms of the underlying policies. All renewal policies are written for a one-year term and expire on June 30 of each year.

(e) **Reserves for losses and loss adjustment expenses**—The reserves for unpaid losses and loss adjustment expenses ("LAE") include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based upon loss projections utilizing certain actuarial assumptions and studies of the Program's historical loss experience and industry statistics. Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate of the amount necessary to cover the ultimate cost of claims based upon an actuarial analysis prepared by a consulting actuary. Considerable uncertainty and variability are inherent in such estimates, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. In addition, both general and medical professional liability are long-tail lines of insurance subject to considerable loss variability attributable to social, economic and legal considerations that are not directly quantifiable. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(1) **Organization and Significant Accounting Policies:** (Continued)

(f) **Income taxes**—The Program is an operating unit of the Board of Governors, the State University System of Florida. Accordingly, the Program is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

(h) **Future accounting pronouncements**—The Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application, in February 2015. GASB 72 seeks to improve accounting and financial reporting by clarifying and enhancing the guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions in GASB 72 are effective for fiscal years beginning after June 15, 2015. Management has not currently determined what, if any, impact implementation of the following will have on the Program’s financial statements.

(2) **Investments:**

The Program had no investments at June 30, 2014. Investments at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Equity mutual funds	\$ 378,240	\$ (2,493)	\$ -	\$ 375,747
Bond mutual funds	2,107,432	356	-	2,107,788
Totals	<u>\$ 2,485,672</u>	<u>\$ (2,137)</u>	<u>\$ -</u>	<u>\$ 2,483,535</u>

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

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

The following risks apply to the Program’s investments:

Interest Rate Risk

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(2) **Investments:** (Continued)

Credit Risk

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

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

(2) **Investments:** (Continued)

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

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

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

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

(3) **Insurance Activity:**

Premium activity for the years ended June 30, 2015 and 2014 is summarized as follows:

	<u>Direct</u>	<u>Ceded</u>	<u>Net</u>
June 30, 2015			
Premiums written	\$ 187,544	\$ 13,456	\$ 174,088
Premiums earned	<u>\$ 187,544</u>	<u>\$ 13,456</u>	<u>\$ 174,088</u>
June 30, 2014			
Premiums written	\$ 147,270	\$ 5,770	\$ 141,500
Premiums earned	<u>\$ 147,270</u>	<u>\$ 5,770</u>	<u>\$ 141,500</u>

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	<u>2015</u>	<u>2014</u>
Balances at July 1	<u>\$ 228,851</u>	<u>\$ 10,200</u>
Incurred related to:		
Current year	83,850	3,500
Prior years	(108,102)	217,450
Total incurred losses and LAE	<u>(24,248)</u>	<u>220,950</u>
Paid related to:		
Current year	-	-
Prior years	116,343	2,299
Total paid losses and LAE	<u>116,343</u>	<u>2,299</u>
Balances at June 30	<u>\$ 88,260</u>	<u>\$ 228,851</u>

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
 SELF-INSURANCE PROGRAM
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014**

(3) **Insurance Activity:** (Continued)

The estimate of the liability for losses and loss adjustment expenses by loss year is subject to change until all claims for each loss year are closed. As a result of changes in estimates and insured events in prior years, the net loss and loss adjustment expenses incurred increased due to refinements to prior years' ultimate loss projections.

The components of the liability for gross losses and LAE are as follows:

	<u>2015</u>	<u>2014</u>
Case-basis reserves	\$ 4,939	\$ 222,701
Supplemental reserves	83,321	6,150
Total	<u>\$ 88,260</u>	<u>\$ 228,851</u>

(4) **Related Party Transactions:**

The total fees charged to the Program were \$79,087 and \$50,000 for the years ended June 30, 2015 and 2014, respectively for administrative services from the UF Self-Insurance Program.

The Program provides liability protection to the Trustees acting on behalf of the FAU College of Medicine, College of Nursing, and the FAU Health Services. Total net earned premiums for the year ended June 30, 2015 and 2014 of \$174,088 and \$141,500, respectively, are all associated with these related entities.

The Program has access to reinsurance coverage provided by the Healthcare Education Insurance Company ("HEIC") for medical professional liability, patient general liability, managed care errors and omissions liability in excess of the retained \$1,000,000 per occurrence for the period from July 1, 2014 to June 30, 2015 on a claims-made basis as follows: \$5,000,000 each loss and in the aggregate for FAU SIP and \$10,000,000 aggregate for FIU, FAU, UCF, and FSU SIPs combined. Total ceded premium of \$13,456 and \$5,770 for the years ended June 30, 2015 and 2014, respectively was paid.

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

To the Governing Council,
Florida Atlantic University College of Medicine Self-Insurance Program:

We have audited in accordance with auditing standards generally accepted in the United States of American 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 College of Medicine Self-Insurance Program (the “Program”, an operating unit of the Florida Board of Governors) which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Program’s basic financial statements, and have issued our report thereon dated August 24, 2015.

Internal Control over Financial Reporting

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

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

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

- 15 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

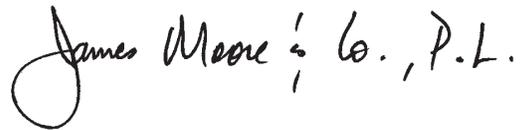
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J" at the beginning.

Gainesville, Florida
August 24, 2015