STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-157
March 2017

FLORIDA GULF COAST UNIVERSITY

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. Wilson G. Bradshaw served as President of Florida Gulf Coast University and the following individuals served as Members of the Board of Trustees:

[a] Faculty Senate Chair.
[b] Student Body President.
[c] Board member resigned on 10-30-15, and position remained vacant through 3-23-16.

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 Claudia A. Salgado, and the supervisor was Deirdre F. Waigand, CPA.

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

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FLORIDA GULF COAST UNIVERSITY

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Florida Gulf Coast 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 Gulf Coast 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, 2016. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2017-064.

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.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Florida Gulf Coast University Financing Corporation, a blended component unit, which represent 7 percent, 8.5 percent, and 8.5 percent, respectively, of the assets, net position, and revenues reported for Florida Gulf Coast University. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit's 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 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 Gulf Coast University and of its discretely presented component unit as of June 30, 2016, 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 and other auditors 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 March 15, 2017, on our consideration of the Florida Gulf Coast University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Gulf Coast University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2017

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, 2016, 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, 2016, and June 30, 2015.

FINANCIAL HIGHLIGHTS

The University's assets totaled $642 million at June 30, 2016. This balance reflects a $2.1 million, or 0.3 percent, increase as compared to the 2014-15 fiscal year, resulting from increases in State noncapital appropriations and income related to an increase in student enrollment. The slight increase in assets was accompanied with an increase in liabilities of $5.5 million, or 1.9 percent, totaling $289.7 million at June 30, 2016, compared to $284.2 at June 30, 2015. Deferred outflows of resources increased by $4.4 million and deferred inflows of resources decreased by $8.1 million, as compared to the 2014-15 fiscal year. As a result, the University's overall net position increased by $9.2 million, resulting in a year-end balance of $362.4 million.

The University's revenues totaled $227.5 million for the 2015-16 fiscal year, representing a 4.9 percent increase compared to the 2014-15 fiscal year due mainly to increases in State noncapital appropriations, and student tuition and fees. Operating expenses totaled $210.1 million for the 2015-16 fiscal year, representing an increase of 6.5 percent as compared to the 2014-15 fiscal year due mainly to increases in compensation and employee benefits, and services and supplies.

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 had a deficit in the unrestricted net position of $6.1 million and its blended component unit had an unrestricted net position of $15.1 million dollars, as a result, the University reported a combined unrestricted net position of $8.9 million. The continued deficit in the University's unrestricted net position was the result of recording long-term liabilities within the annually funded operational fund as required by Government Accounting Standards. The following table detailing the components of the University's ending net position demonstrates that the University's negative unrestricted net position was caused by long-term liabilities that will be paid over time and financed by future appropriations.

Unrestricted Net Position

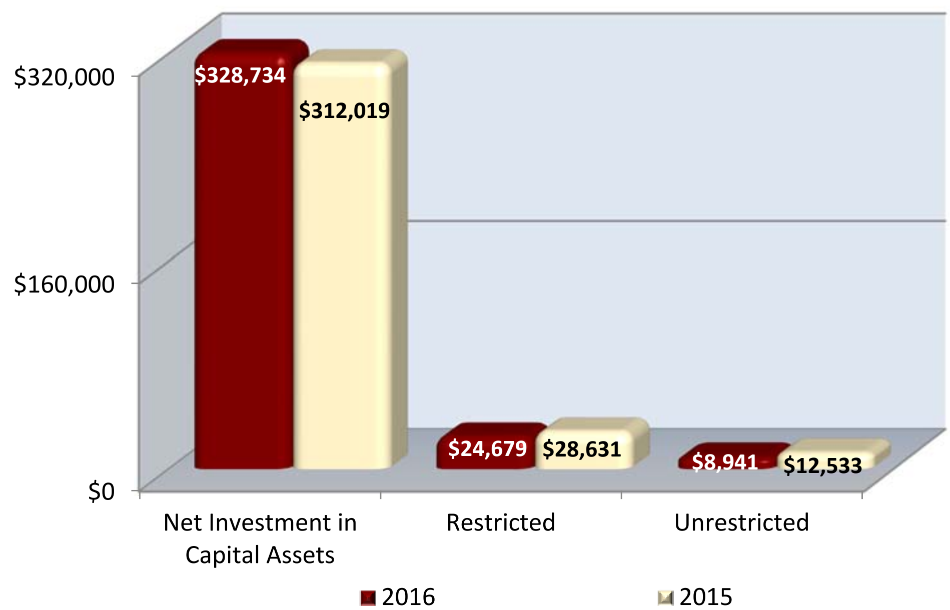
(In Thousands)

		Amount (In Thousands)
Unrestricted Fund Balance		$ 49,188
Amount to be Financed in the Future		
Compensated Absences Liability	$ 10,409	
Other Post Employment Benefits Liability	24,615	
FRS Net Pension Liability	17,431	
HIS Net Pension Liability	12,884	
Deferred Outflows of Resources	(14,613)	
Deferred Inflows of Resources	4,576	
Less, Total Amount to be Financed in the Future		55,302
University's Unrestricted Net Position		(6,114)
Blended Component Unit's Unrestricted Net Position		15,055
Total Ending Unrestricted Net Position		$ 8,941

The University's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:

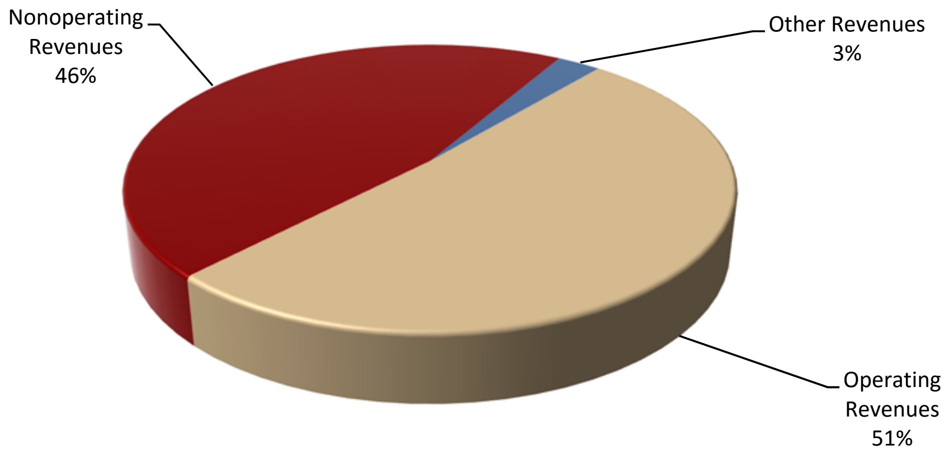
Net Position

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2015-16 fiscal year:

Total Revenues



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. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit, and the Florida Gulf Coast University Foundation, Inc. (Foundation), is included within the University reporting entity as a discretely presented component unit.

This MD&A focuses on the University, excluding the discretely presented component unit. MD&A information regarding the Corporation and Foundation component units can be found in their separately issued audit reports. Information regarding these component units, including summaries of the blended component unit's separately issued financial statements, is presented in the notes to financial statements.

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)

	2016	2015
Assets		
Current Assets	$ 91,577	$ 89,778
Capital Assets, Net	538,548	532,873
Other Noncurrent Assets	11,899	17,270
Total Assets	642,024	639,921
Deferred Outflows of Resources	14,613	10,210
Liabilities		
Current Liabilities	26,455	23,250
Noncurrent Liabilities	263,252	260,972
Total Liabilities	289,707	284,222
Deferred Inflows of Resources	4,576	12,726
Net Position		
Net Investment in Capital Assets	328,734	312,019
Restricted	24,679	28,631
Unrestricted	8,941	12,533
Total Net Position	$ 362,354	$ 353,183

The University's financial position, as a whole, increased during the fiscal year ended June 30, 2016, with an increase of net position in the amount of $9.2 million, or 2.6 percent, from the 2014-15 fiscal year primarily due to the increases in total assets, deferred outflows, and liabilities, and the decrease in deferred inflows of resources. The decreases in unrestricted net position of $3.6 million, or 28.7 percent, and restricted net position of $3.9 million, or 13.8 percent, was offset by an increase in net investment in capital assets of $16.7 million, or 5.4 percent. The University continues to experience sound overall financial condition and health.

Total assets increased $2.1 million, or 0.3 percent, mainly in net capital assets. The increase in net capital assets was primarily from the purchase of the solar field which was offset by the decrease in other noncurrent assets for elimination of a prepaid financing lease. Invested funds grew as a result of increased State noncapital appropriations. Funds due from State decreased $4.2 million, or 29.3 percent, for State capital appropriations due to the completion of the Emergent Technology Institute. Deferred outflows of resources associated with net pension resources increased by $4.4 million, or 43.1 percent as compared to 2014-15 fiscal year.

Total liabilities increased $5.5 million, or 1.9 percent. The noncurrent liabilities for pension and for other postemployment benefits increased while bonds payable decreased due to the redemption of outstanding Capital Improvement Revenue Bonds, Series 2007B for $5.1 million. Deferred inflows of resources associated with net pension resources decreased by $8.1 million, or 64 percent as compared to 2014-15 fiscal year. Restricted net position includes $8.2 million in the required debt service reserve accounts for Capital Improvement Revenue Bonds, Series 2010A, 2010B, 2011A, 2013A, and Loan

Agreements 2005A and 2005B, and $2 million restricted by the covenants of the Series 2008A, and 2009A bond reimbursement agreements.

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 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	2015-16	2014-15
Operating Revenues	$ 116,252	$ 109,305
Less, Operating Expenses	210,112	197,375
Operating Loss	(93,860)	(88,070)
Net Nonoperating Revenues	96,756	86,746
Income (Loss) Before Other Revenues	2,896	(1,324)
Other Revenues	6,275	10,970
Net Increase In Net Position	9,171	9,646
Net Position, Beginning of Year	353,183	365,721
Adjustment to Beginning Net Position (1)	-	(22,184)
Net Position, Beginning of Year, as Restated	353,183	343,537
Net Position, End of Year	$ 362,354	$ 353,183

Note: (1) For the 2014-15 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

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. Operating revenues generally consist of student tuition and fees, grants and contracts, and auxiliary service revenues from students and others to provide them with instruction and other goods and services.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

Operating Revenues
For the Fiscal Years

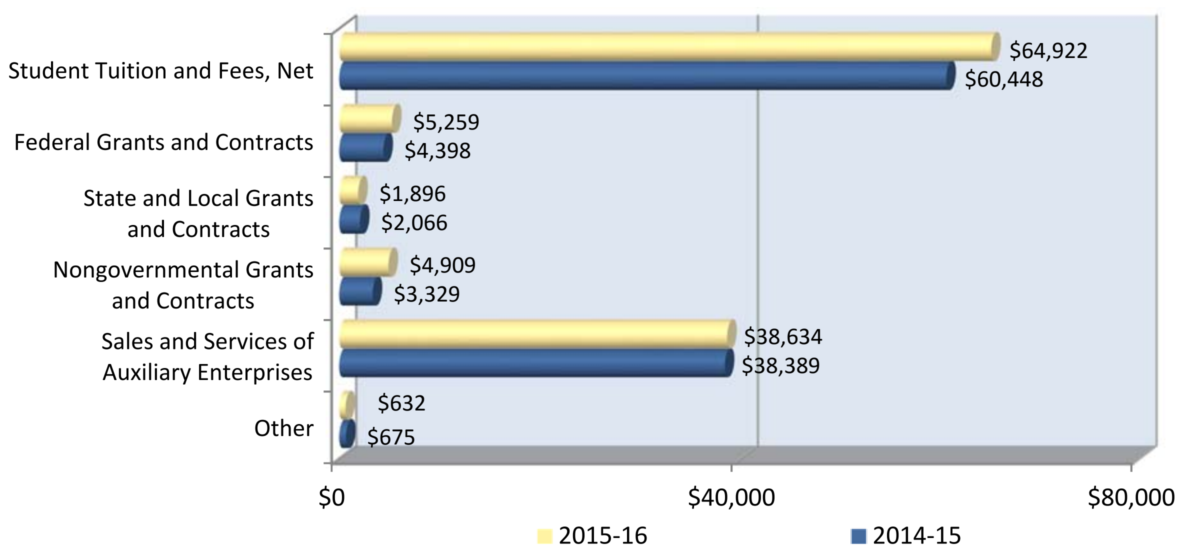
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	$ 64,922	$ 60,448
Federal Grants and Contracts	5,259	4,398
State and Local Grants and Contracts	1,896	2,066
Nongovernmental Grants and Contracts	4,909	3,329
Sales and Services of Auxiliary Enterprises	38,634	38,389
Other	632	675
Total Operating Revenues	$ 116,252	$ 109,305

The following chart presents the University's operating revenues for the 2015-16 and 2014-15 fiscal years:

Operating Revenues

(In Thousands)



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

- Total operating revenues for the 2015-16 fiscal year were $116.3 million, of which $64.9 million were from net student tuition and fees. A tuition allowance, which represents the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third party making payment on behalf of a student, totaled $29.9 million. The reduction of gross fees of $94.8 million resulted in net student tuition and fees of $64.9 million, which represents an increase of $4.5 million, or 7.4 percent, over the 2014-15 fiscal year. Increased student enrollment is the main reason for the revenue increase.
- Sales and services of auxiliary enterprises reflect a $0.2 million, or 0.6 percent, a minimal increase over the 2014-15 fiscal year primarily due to the slight growth of student population on housing, health, and parking fees.

- Federal and nongovernmental grants and contracts increased by $2.4 million because of the timing, number, and size of grants received through the Office of Research and Graduate Studies.

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 2015-16 and 2014-15 fiscal years:

Operating Expenses
For the Fiscal Years

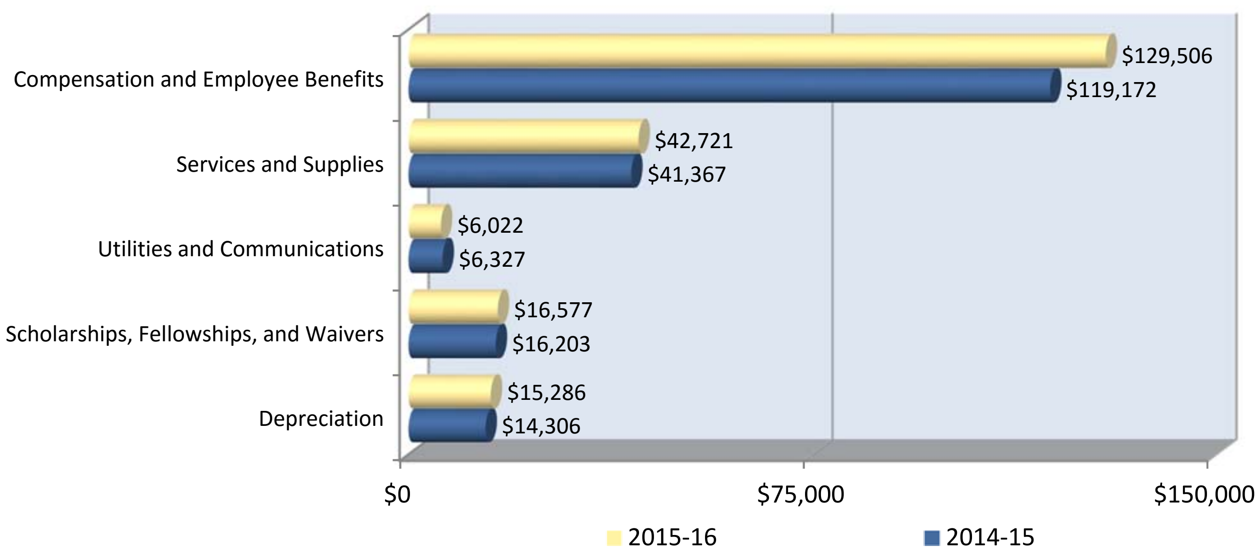
(In Thousands)

	2015-16	**2014-15**
Compensation and Employee Benefits	$ 129,506	$ 119,172
Services and Supplies	42,721	41,367
Utilities and Communications	6,022	6,327
Scholarships, Fellowships, and Waivers	16,577	16,203
Depreciation	15,286	14,306
Total Operating Expenses	$ 210,112	$ 197,375

The following chart presents the University's operating expenses for the 2015-16 and 2014-15 fiscal years:

Operating Expenses

(In Thousands)



Total operating expenses for the 2015-16 fiscal year were $210.1 million, an increase of $12.7 million, or 6.5 percent, over the 2014-15 fiscal year. Compensation and employee benefits increased $10.3 million, or 8.7 percent, from increases in the number of faculty and staff, and a salary increase of 3.5 percent in October 2015. Services and supplies increased $1.4 million, or 3.3 percent, which was primarily associated with the growth of student population.

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 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2015-16	**2014-15**
State Noncapital Appropriations	$ 72,541	$ 64,463
Federal and State Student Financial Aid	26,133	27,732
Investment Income	2,384	845
Other Nonoperating Revenues	3,880	3,445
Interest on Capital Asset-Related Debt	(7,439)	(9,619)
Loss on Disposal of Capital Assets	(33)	-
Other Nonoperating Expenses	(710)	(120)
Net Nonoperating Revenues	$ 96,756	$ 86,746

The increase of $10 million, or 11.5 percent in net nonoperating revenues is primarily due to the increase in State noncapital appropriations. State noncapital appropriations increased $8.1 million primarily from an increase in special local initiatives of $3.1 million funded by the Legislature to support programs designed to enhance student success. In addition, the University was awarded an additional $5 million in Performance-Based Funding for the 2015-16 fiscal year. Federal and State Student Financial Aid decreased by $1.6 million, or 5.8 percent, primarily due to the continuing decrease in Florida Bright Futures awards as a result of the program's increased eligibility requirements for scholarships.

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 2015-16 and 2014-15 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Capital Appropriations	$ 5,776	$ 10,824
Capital Grants, Contracts, Donations, and Fees	499	146
Total	$ 6,275	$ 10,970

State capital appropriations decreased $5 million, or 46.6 percent, as compared to the 2014-15 fiscal year, primarily due to the completion of the Emergent Technologies Institute building project. State contributions (appropriations) for capital projects, depending upon the various stages of planning and completion, will fluctuate from year to year.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2015-16 and 2014-15 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	$ (67,939)	$ (67,790)
Noncapital Financing Activities	102,686	95,553
Capital and Related Financing Activities	(30,655)	(27,635)
Investing Activities	(4,163)	(2,463)
Net Decrease in Cash and Cash Equivalents	(71)	(2,335)
Cash and Cash Equivalents, Beginning of Year	601	2,936
Cash and Cash Equivalents, End of Year	$ 530	$ 601

Major sources of funds included in operating activities are net student tuition and fees of $64.6 million, Federal, State and local grants and contracts of $11.7 million, and sales and services of auxiliary enterprises of $38.6 million. Major uses of funds were payments made to and on behalf of employees totaling $122.9 million, payments to suppliers totaling $44 million, and payments to and on behalf of students for scholarships and fellowships totaling $16.6 million. The slight increase in cash used by operating activities as compared to the 2014-15 fiscal year was due primarily to an increase in cash used for payments to employees offset by an increase in cash provided by net student tuition and fees.

The largest source of inflow of cash from noncapital financing activities was State noncapital appropriations in the amount of $72.5 million. Also included in noncapital financing revenues was Federal and State student financial aid of $26.1 million and $48.4 million of Federal direct loan program receipts. The major use of funds was Federal direct loan program disbursements of $48.5 million.

Net cash used by capital and related financing activities was $30.7 million. Source of cash was mainly provided by State capital appropriations of $10 million. Cash used was primarily due from $22.4 million for the purchase or construction of capital assets, and $18.5 million in principal and interest payments on asset related debt, which included the redemption of outstanding Capital Improvement Revenue Bonds, Series 2007B.

Cash used by investing activities was $4.2 million from the net purchases of investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the University had $676.6 million in capital assets, less accumulated depreciation of $138.1 million, for net capital assets of $538.5 million. Depreciation charges for the current fiscal year totaled $15.3 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)

	2016	**2015**
Land	$ 56,647	$ 57,358
Buildings	432,598	428,617
Construction in Progress	3,090	7,532
Infrastructure and Other Improvements	21,567	20,847
Furniture and Equipment	20,388	14,330
Library Resources	1,946	1,778
Property Under Capital Lease and Leashold Improvements	-	60
Works of Art and Historical Treasures	2,280	2,314
Other Capital Assets	32	37
Capital Assets, Net	$538,548	$532,873

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, 2016, were incurred on the following projects: South Village Recreation Center, South Access Road, and the North Lake Village Dining Facility. The University's construction commitments at June 30, 2016, are as follows:

	Amount (In Thousands)
Total Committed	$ 18,850
Completed to Date	(3,090)
Balance Committed	$ 15,760

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

Debt Administration

As of June 30, 2016, the University had $209.8 million in outstanding bonds payable and loans payable, representing a decrease of $11 million, or 5 percent, from the prior fiscal year resulting from principal payments, and the redemption of Capital Improvement Revenue Bonds, Series 2007B. 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)

	2016	2015
Bonds Payable	$ 194,014	$ 204,505
Loans Payable	15,800	16,200
Capital Leases Payable	-	148
Total	$ 209,814	$ 220,853

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

Economic Factors That Will Affect the Future

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on its financial position or operations during the 2016-17 fiscal year. The University's financial outlook for the future continues to be positive. The level of State support, and student tuition and fee increases impact the University's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The level of State support is one of the key factors influencing the University's activities. Because of ongoing limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. While student enrollment increases, student tuition and fees will remain at the same level in the 2016-17 fiscal year, and resources will continue to be managed through expenditure analyses and efficiencies.

The budget that the Florida Legislature adopted for the 2016-17 fiscal year provided $75.6 million for the University's State noncapital appropriations, or an increase of 4.6 percent from the 2015-16 fiscal year. The legislative priorities for the University included $8 million in Performance-Based Incentives for the 2016-17 fiscal year.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The Fall 2016 enrollment of 15,031 students increased 1.6 percent over the Fall 2015 enrollment of 14,796 students. First time-in-college freshman admission of 2,669 students decreased slightly from 2,697 students in the 2015-16 fiscal year. Efforts to improve retention, such as an aggressive marketing plan to recruit qualified students, enhanced intervention to assist academic success, and the Soar in 4 financial incentive program launched in Summer 2015 will help ensure total enrollment continues in a positive trend. In the 2016-17 fiscal year, the University expects an increase in revenue from student tuition and fees due to increased enrollment.

The State has approved and appropriated funds to the University's capital budget for the 2016-17 fiscal year in the amount of $7.9 million. Public Education Capital Outlay appropriations for the 2016-17 fiscal year are for capital improvement projects in the amount of $3.8 million for Academic Building 9, $1.8 million for replacement of the WGCU broadcasting tower, and repairs and maintenance in the amount of $0.7 million. The Capital Improvement Fee appropriation of $1.6 million for the 2016-17 fiscal year is for continued funding of the student recreation center.

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 Mr. Steve Magiera, CPA, Vice President of Administration and Finance, Florida Gulf Coast University, 10501 FGCU Boulevard South, Fort Myers, Florida 33965.

Florida Gulf Coast University
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2016

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 84,500	$ 21,229,118
Investments	77,969,985	-
Accounts Receivable, Net	3,263,132	1,812,839
Loans Receivable, Net	7,549	-
Note Receivable	-	5,000,000
Due from State	10,251,506	-
Total Current Assets	91,576,672	28,041,957
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	445,096	-
Investments	-	707,272
Restricted Investments	11,454,178	75,850,014
Accounts and Pledges Receivable, Net	-	1,918,374
Real Estate Held for Investment	-	11,832,686
Depreciable Capital Assets, Net	477,075,334	-
Nondepreciable Capital Assets	61,472,239	-
Total Noncurrent Assets	550,446,847	90,308,346
Total Assets	642,023,519	118,350,303
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	14,613,175	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,192,688	179,981
Construction Contracts Payable	1,145,600	-
Salary and Wages Payable	3,594,476	-
Deposits Payable	1,031,256	-
Unearned Revenue	589,917	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	5,325,000	-
Loans Payable	5,300,000	4,300,000
Compensated Absences Payable	784,231	-
Net Pension Liability	491,705	-
Gift Annuities Payable	-	74,357
Total Current Liabilities	26,454,873	4,554,338

Florida Gulf Coast Florida Gulf Coast University
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2016

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	188,688,670	-
Loans Payable	10,500,000	2,250,000
Compensated Absences Payable	9,624,826	-
Other Postemployment Benefits Payable	24,615,000	-
Net Pension Liability	29,823,199	-
Other Noncurrent Liabilities	-	445,199
Total Noncurrent Liabilities	263,251,695	2,695,199
Total Liabilities	289,706,568	7,249,537
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,575,729	-
NET POSITION		
Net Investment in Capital Assets	328,733,904	-
Restricted for Nonexpendable:		
Endowment	-	64,290,793
Restricted for Expendable:		
Debt Service	10,152,547	-
Loans	533,950	-
Capital Projects	10,398,239	-
Other	3,594,985	38,900,595
Unrestricted	8,940,772	7,909,378
TOTAL NET POSITION	$ 362,354,397	$ 111,100,766

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

Florida Gulf Coast Florida Gulf Coast 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, 2016

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $29,897,267 ($3,108,340 Pledged for Parking Facility Capital Improvement Debt)	$ 64,921,755	$ -
Federal Grants and Contracts	5,258,853	-
State and Local Grants and Contracts	1,896,236	-
Nongovernmental Grants and Contracts	4,909,275	-
Sales and Services of Auxiliary Enterprises ($366,739 Pledged for Parking Facility Capital Improvement Debt, $29,240,485 Pledged for Housing Facility Capital Improvement Debt, and $244,718 Pledged for Student Services Capital Improvement Debt)	38,634,395	-
Gifts and Donations	-	13,824,518
Rental Income Other	-	3,502,358
Other Operating Revenues	632,056	-
Total Operating Revenues	116,252,570	17,326,876
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	129,505,743	-
Services and Supplies	42,720,706	-
Utilities and Communications	6,022,171	-
Scholarships, Fellowships, and Waivers	16,576,902	2,463,993
Depreciation	15,286,094	-
General and Administrative	-	1,646,737
University Support	-	4,616,602
Program Services	-	4,338,395
Other Operating Expenses	-	19,469
Total Operating Expenses	210,111,616	13,085,196
Operating Income (Loss)	(93,859,046)	4,241,680
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	72,541,073	-
Federal and State Student Financial Aid	26,133,399	-
Investment Income (Loss)	2,384,201	(2,039,849)
Other Nonoperating Revenues	3,879,798	-
Interest on Capital Asset-Related Debt	(7,438,987)	(132,968)
Loss on Disposal of Capital Assets	(32,943)	-
Other Nonoperating Expenses	(710,929)	-
Net Nonoperating Revenues (Expenses)	96,755,612	(2,172,817)
Income Before Other Revenues	2,896,566	2,068,863
State Capital Appropriations	5,775,939	-
Capital Grants, Contracts, Donations, and Fees	498,740	3,479,590
Increase in Net Position	9,171,245	5,548,453
Net Position, Beginning of Year	353,183,152	105,552,313
Net Position, End of Year	$ 362,354,397	$ 111,100,766

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

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Florida Gulf Coast Florida Gulf Coast University
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 64,644,070
Grants and Contracts	11,715,324
Sales and Services of Auxiliary Enterprises	38,634,395
Payments to Employees	(122,881,272)
Payments to Suppliers for Goods and Services	(44,016,046)
Payments to Students for Scholarships and Fellowships	(16,576,902)
Loans Issued to Students	(67,937)
Collection on Loans to Students	72,621
Other Operating Receipts	536,486
Net Cash Used by Operating Activities	(67,939,261)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	72,541,073
Federal and State Student Financial Aid	26,133,399
Federal Direct Loan Program Receipts	48,444,011
Federal Direct Loan Program Disbursements	(48,531,248)
Net Change in Funds Held for Others	218,740
Other Nonoperating Receipts	3,879,798
Net Cash Provided by Noncapital Financing Activities	102,685,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	10,017,524
Capital Grants, Contracts, Donations and Fees	219,473
Purchase or Construction of Capital Assets	(22,413,183)
Principal Paid on Capital Debt and Leases	(10,998,141)
Interest Paid on Capital Debt and Leases	(7,480,628)
Net Cash Used by Capital and Related Financing Activities	(30,654,955)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	191,135,327
Purchases of Investments	(196,567,238)
Investment Income	1,269,198
Net Cash Used by Investing Activities	(4,162,713)
Net Decrease in Cash and Cash Equivalents	(71,156)
Cash and Cash Equivalents, Beginning of Year	600,752
Cash and Cash Equivalents, End of Year	$ 529,596

Florida Gulf Coast Florida Gulf Coast University
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2016

		University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(93,859,046)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		15,286,094
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables, Net		(365,923)
Other Noncurrent Assets		6,173,200
Accounts Payable		(1,444,389)
Salary and Wages Payable		900,551
Deposits Payable		(88,570)
Compensated Absences Payable		1,212,008
Unearned Revenue		(265,099)
Other Postemployment Benefits Payable		4,983,000
Net Pension Liability		12,082,182
Deferred Outflows of Resources Related to Pensions		(4,403,175)
Deferred Inflows of Resources Related to Pensions		(8,150,094)
NET CASH USED BY OPERATING ACTIVITIES	$	(67,939,261)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES		
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$	1,053,532
Donations 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.	$	279,267
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.	$	(32,943)

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

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. Although it is legally separate from the University, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University's reporting entity as a blended component unit. The Corporation was incorporated on April 11, 2003, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. The Corporation was created to receive, hold, invest, and administer property and to make expenses for the exclusive benefit of the University. Due to the substantial economic relationship between the Corporation and the University, the financial activities of the Corporation are included in the University's financial statements. An annual audit of the Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Corporation, including copies of audit reports, is available by contacting the University Controller's office. Condensed financial statements for the Corporation are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Foundation, Inc. (Foundation), as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, is included within the University reporting entity as a discretely presented component unit. The Foundation was incorporated on April 19, 1993, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes. The Foundation is a legally separate direct-support organization of the University and is governed by a separate board. Its purpose is to encourage, solicit, collect, receive, and administer gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University and its objectives.

An annual audit of the Foundation's financial statements is conducted by independent certified public accountants. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller's Office.

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 entity wide 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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

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

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

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, cash in demand accounts, and amounts held by a trustee for the Corporation. 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.

The amount reported as restricted cash and cash equivalents for the University at June 30, 2016, includes at fair value $370,583 of Corporation moneys held by the lender and owner of the 2005B Loan as a debt service reserve requirement.

Cash and Cash Equivalent – Component Unit. The amount reported as cash and cash equivalents for the Foundation (discretely presented component unit) at June 30, 2016, includes $15,031,770 of bank deposits of which $941,187 is insured by the Federal deposit insurance with the remainder of $14,090,583 collateralized under the Florida Public Deposits Program. The Foundation also had cash held on deposit with investment managers at June 30, 2016, totaling $611,546, of which $609,922 was covered by the Securities Investor Protection Corporation and $1,624 was uninsured and uncollateralized.

Cash and cash equivalents reported for the Foundation at June 30, 2016, also includes at fair value $5,585,802 of Foundation moneys held 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 & Poor's, had an effective duration of 2.61 years, and fair value factor of 1.0143 at June 30, 2016. The Foundation 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.

Fair Value Measurement. The University and its component unit categorize 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.

Capital Assets. University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital leases, and computer software and other capital assets. 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 and $100,000 for new buildings and infrastructure and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 35 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment:
    - Equipment (Other than Moveable) – 10 to 25 years
    - Computer Equipment – 3 to 6 years
    - Moveable Equipment – 5 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 20 years
- Computer Software and Other Capital Assets – 4 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, loans payable, compensated absences payable, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Changes

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which requires the University to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The effects of implementing this Statement relate to the presentation of the Investments subsequent note. Implementation of the Statement had no impact on valuation methods previously used or asset values.

3. Deficit Net Position in Individual Funds

The University reported an unrestricted net position, which included a deficit in the current funds-unrestricted as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (14,051,733)
Auxiliary Funds	7,937,345
Total University Net Position	(6,114,388)
Blended Component Unit Unrestricted Net Position	15,055,160
Total	$ 8,940,772

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), 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; and direct obligations of the United States Treasury. Of the reported investments, $2 million is restricted by the covenants of the bond reimbursement agreements for the Capital Improvement Revenue Bonds Series 2008A and 2009A and $7,781,964 for debt service reserve accounts for the Series 2005A loan, Series 2010A, 2010B, 2011A, and 2013A bonds. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

All of the University's recurring fair value measurements as of June 30, 2016, 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 $89,424,163 at June 30, 2016, in the State Treasury Special 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 2.61 years and fair value factor of 1.0143 at June 30, 2016. 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.

Component Unit Investments

The Foundation's recurring fair value measurements as of June 30, 2016, are valued using quoted market prices (Level 1 inputs). Investments held by the Foundation at June 30, 2016, are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States Treasury Securities	$ 1,246,430	$ 1,246,430	$ -	$ -
Obligations of the United States Government Agencies and Instrumentalities	2,696,789	-	2,696,789	-
Bonds and Notes	11,784,320	-	11,784,320	-
Stocks and Other Equity Securities	188,686	188,686	-	-
Mutual Funds	31,897,443	31,897,443	-	-
Total investments by fair value level	47,813,668	$ 33,332,559	$ 14,481,109	$ -
Investments measured at the net asset value (NAV)				
Collective Investment Funds:				
NT Common US Marketcap Index Fund	17,861,101			
NT Common Emerging Markets Index Fund	5,099,325			
NT Common EAFE Index Fund	3,747,127			
Total Collective Investment Funds	26,707,553			
Other Investments:				
Real Assets	257,873			
Private Equity	1,778,192			
Total Other Investments	2,036,065			
Total investments measured at the NAV or its equivalent	28,743,618			
Total investments measured at fair value	$ 76,557,286			

Fair Value Measurement: Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets.

Other information for investments measured at the NAV or its equivalent follows:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
NT Common US Marketcap Index Fund	$ 17,861,101	$ -	Daily	1 trade day
NT Common Emerging Markets Index Fund	5,099,325	-	Daily	1 trade day
NT Common EAFE Index Fund	3,747,127	-	Daily	1 trade day
Real Assets	257,873	110,000	Not available	NA
Private Equity	1,778,192	355,000	Not available	NA
Total investments measured at the NAV	$ 28,743,618			

Collective Investment Funds: The primary objective of the Northern Trust U.S. Market Cap Index Fund is to approximate the risk and return characteristics of the Dow Jones U.S. Total Stock Market Index. This Index is commonly used to represent the broad U.S. market.

The primary objective of the Northern Trust Emerging Markets Equity Index Fund is to approximate the risk and return characteristics of the MSCI Emerging Markets (MSCI EM) Index. This Index is commonly used to represent the large and medium cap segment of the equity emerging markets.

The primary objective of the Northern Trust EAFE Index Fund is to approximate the risk and return characteristics of the MSCI Europe, Australasia, and Far East (MSCI EAFE) Index. This Index is commonly used to represent the large and medium cap segment of the non U.S. developed equity markets.

Real Assets: The purpose of the partnership is to invest in a diversified portfolio of private equity and real assets investment funds (underlying funds or private investment funds), which in turn have been established to invest in a broad range (underlying funds or private investment funds), which in turn have been established to invest in a broad range.

Private Equity: The partnerships within this segment invest in private equity funds in the venture capital, buyout, and capital restructuring sectors.

The Foundation's investment policy allows for investments in equity securities traded on the principal United States Stock Exchanges (NYSE and NASDAQ), and the Foundation only purchases equity securities of companies with a market capitalization of at least $1 billion. For fixed income instruments, the Foundation's policy allows investments in bonds issued by the United States Government, an agency of the United States Government, public traded corporations or their affiliates, taxable municipal bonds, preferred stocks, and real estate investment trusts.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the component unit and not registered in their names. The Foundation utilizes the services of an investment advisor and several investment managers. All investments, except for certificates of deposit and debt securities, are held by the investment managers and are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Foundation's name. The Foundation's mutual fund investments totaling $31,897,443 at June 30, 2016, are not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counterparties to investment transactions.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit debt obligation maturities. The Foundation's investments in debt securities at June 30, 2016, are reported at fair value as follows:

	Investment Maturities (In Years)				
Investment Type	**Fair Value**	**Less than 1 Year**	**1 - 5 Years**	**5 - 10 Years**	**Over 10 Years**
Obligations of United States Government Agencies and Instrumentalities	$ 2,696,789	$ 306,012	$ 1,753,677	$ 637,100	$ -
Bonds, Notes, and Other Debt Securities	13,030,750	880,679	7,811,030	3,769,909	569,132
Total	$ 15,727,539	$ 1,186,691	$ 9,564,707	$ 4,407,009	$ 569,132

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Foundation does not have a formal investment policy with respect to credit risk.

At June 30, 2016, the Foundation's fixed income investments were rated as follows:

Rating	Number	Fair Value	% Bond Holdings
AAA	45	$ 5,718,894	36.36%
AAA	28	3,755,770	23.88%
AAA	61	5,801,998	36.89%
BBB	4	450,877	2.87%
		$ 15,727,539	

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. At June 30, 2016, the Foundation's investment in each of its Collective Investment Funds exceeded five percent (5%) of total investments.

Other Information: For management control, investments are pooled. Gains, losses, and investment income from the pool are allocated quarterly to the funds that participate in the pool based upon each fund's average quarterly balance.

The Foundation assesses a management fee on all endowment funds for the purpose of funding the Foundation's operating budget. Administrative fees assessed to the endowment funds totaled $1,082,658 or 1.5% for the year ending June 30, 2016.

The Endowment Fund account balances (including cash balances) subject to the administrative fee are comprised as follows at June 30, 2016:

Eminent Scholars Program	$ 13,023,621
Major Gifts Program	37,381,539
Other Endowment	22,526,375
	$ 72,931,535

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2016, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 1,376,228
Student Tuition and Fees	1,753,394
Other	133,510
Total Accounts Receivable	$ 3,263,132

Loans Receivable. Loans receivable consist of short-term loans made to students pending the receipt of student financial aid.

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans 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 receivable, are reported net of allowances of $766,175 and $9,139, respectively, at June 30, 2016.

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

6. Due From State

The amount due from State consists of $10,251,506 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and Lottery funds for construction of University facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 57,357,965	$ -	$ -	$ 710,928	$ 56,647,037
Works of Art and Historical Treasures	1,735,358	-	-	-	1,735,358
Construction in Progress	7,531,505	-	12,922,762	17,364,423	3,089,844
Total Nondepreciable Capital Assets	$ 66,624,828	$ -	$ 12,922,762	$ 18,075,351	$ 61,472,239
Depreciable Capital Assets:					
Buildings	$ 508,497,936	$ -	$ 14,809,236	$ -	$ 523,307,172
Infrastructure and Other Improvements	31,360,289	-	1,908,691	-	33,268,980
Furniture and Equipment	35,201,001	1,977,477	8,965,183	776,721	45,366,940
Library Resources	11,042,610	-	453,166	-	11,495,776
Property Under Capital Leases	1,946,259	(1,946,259)	-	-	-
Works of Art and Historical Treasures	687,143	-	-	-	687,143
Computer Software and Other Capital Assets	1,043,853	-	28,175	17,010	1,055,018
Total Depreciable Capital Assets	589,779,091	31,218	26,164,451	793,731	615,181,029
Less, Accumulated Depreciation:					
Buildings	79,880,639	-	10,828,703	-	90,709,342
Infrastructure and Other Improvements	10,513,692	-	1,188,749	-	11,702,441
Furniture and Equipment	20,871,125	1,935,921	2,916,012	743,778	24,979,280
Library Resources	9,264,258	-	285,189	-	9,549,447
Property Under Capital Leases	1,886,694	(1,886,694)	-	-	-
Works of Art and Historical Treasures	107,899	-	34,464	-	142,363
Computer Software and Other Capital Assets	1,006,855	-	32,977	17,010	1,022,822
Total Accumulated Depreciation	123,531,162	49,227	15,286,094	760,788	138,105,695
Total Depreciable Capital Assets, Net	$ 466,247,929	$ (18,009)	$ 10,878,357	$ 32,943	$ 477,075,334

Note: (1) Adjustments to capitalized assets resulted from the reclassification of property under capital leases to furniture and equipment because the capital lease was paid in full during the 2015-16 fiscal year. Also capital assets and accumulated depreciation include adjustments totaling $31,218 and $49,227, respectively, to correct errors in the capital assets and depreciation schedules, respectively for certain assets.

8. Unearned Revenue

Unearned revenue at June 30, 2016, consists of grants and contracts received prior to fiscal year-end related to subsequent accounting periods.

9. Deferred Outflow / Inflow of Resources

Certain changes in the University's proportionate share of the net pension liabilities of the cost-sharing multiple-employer Florida Retirement System and Health Insurance Subsidy defined benefit plans are reported as deferred outflows and inflows of resources related to pensions. These include changes in actuarial assumptions and other inputs used to measure the pension liabilities, differences between actual and expected experience in the measurement of the liabilities, the net difference between projected and actual earnings on pension plan investments, as well as changes in the University's proportion of the collective net pension liabilities since the prior measurement date and changes between the University's contributions and its proportionate share of contributions. University contributions to the pension plan subsequent to the measurement date for the collective net pension liabilities are reported as deferred outflows. Total deferred outflows of resources related to pensions were $14,613,175 and deferred inflows of resources related to pensions were $4,575,729 for the fiscal year ended June 30, 2016. Note 11. includes a complete discussion of defined benefit pension plans.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2016, include bonds payable, loans payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 204,505,311	$ -	$ 10,491,641	$ 194,013,670	$ 5,325,000
Loans Payable	16,200,000	-	400,000	15,800,000	5,300,000
Capital Leases Payable	148,141	-	148,141	-	-
Compensated Absences Payable	9,197,049	1,964,317	752,309	10,409,057	784,231
Other Postemployment Benefits Payable	19,632,000	5,271,000	288,000	24,615,000	-
Net Pension Liability	18,232,722	26,867,910	14,785,728	30,314,904	491,705
Total Long-Term Liabilities	$ 267,915,223	$ 34,103,227	$ 26,865,819	$ 275,152,631	$ 11,900,936

Revenue Bonds Payable. Capital Improvement Revenue Bonds were issued to construct University facilities, including parking garages and student housing facilities. Capital Improvement Revenue Bonds outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours.

In prior years, the Florida Gulf Coast University Financing Corporation (Corporation) issued Capital Improvement Revenue Bonds, Series 2003, 2005A, 2007A, 2008A, 2010A, 2010B, 2011A, and 2013A to construct or purchase student housing facilities; Series 2007B to construct and equip an addition to the Student Union Facility; and Series 2005B, 2007C, and 2009A to construct student parking garages.

On July 1, 2013, the Corporation entered into loan agreements authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residences Phase VII) and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I) which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate loans. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A and 2005B are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2016, and the new fixed rate tax exempt loan is reported as loans payable.

On February 1, 2016, the Corporation prepaid and redeemed all of the outstanding Capital Improvement Revenue Bonds, Series 2007B (Student Union Facility) in the amount of $5,100,000. At June 30, 2016, there are no outstanding Capital Improvement Revenue Bonds associated with the Student Union Facility. The Corporation has no immediate plans to issue additional Capital Improvement Revenue Bonds to construct additional student residence facilities, parking garages or other facilities.

The University has entered into a Master Ground and Operating Lease Agreement with the Corporation. The University leases land to the Corporation for a rental fee of $1 per year. The land covered by the ground lease together with the improvements thereon is leased back to the University to manage and operate. The master lease will terminate on the date on which the revenue bonds and any related obligations are paid in full. Revenue from the student residence facilities and parking facilities is pledged to pay rent to the Corporation or its assignees equal to the debt service on the revenue bonds. During the 2015-16 fiscal year, parking facilities rental and fee income, student residence rental income, and student union facilities sales and services totaled $3,475,079, $29,240,485 and $244,718 respectively.

The University had the following capital improvement debt payable outstanding at June 30, 2016:

Capital Improvement Revenue Bonds Type and Series	**Amount of Original Debt**	**Amount Outstanding (1)**	**Interest Rates (Percent)**	**Maturity Date To**
Capital Improvement Revenue Bonds:				
2003 Student Residences (Phase VI)	$ 47,500,000	$ 36,555,000	4.50 to 5.00	2034
2007A Student Residences (Phase VIII)	25,000,000	21,245,733	4.00 to 5.00	2037
2007C Student Parking (Phase II)	10,000,000	8,179,309	4.00 to 4.75	2037
2008A Student Residences (Phase IX)	22,000,000	18,765,000	.40 (2)	2038
2009A Student Parking (Phase III)	8,000,000	6,920,000	.45 (2)	2039
2010A Student Housing (Phase X)	32,000,000	28,659,629	3.00 to 5.50	2040
2010B Student Housing (Phase XI)	17,000,000	15,232,321	3.00 to 5.00	2040
2011A Student Housing (Phase XII)	30,000,000	28,205,106	4.00 to 5.50	2041
2013A Student Housing (Phase XIII)	30,000,000	30,251,572	2.25 to 5.00	2043
Total Capital Improvement Revenue Bonds	$ 221,500,000	$ 194,013,670		

Notes: (1) Amount outstanding includes unamortized discounts and premiums.
(2) Variable interest rate at June 30, 2016.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 5,325,000	$ 7,844,518	$ 13,169,518
2018	5,515,000	7,664,073	13,179,073
2019	5,745,000	7,458,263	13,203,263
2020	5,975,000	7,243,933	13,218,933
2021	6,220,000	7,016,169	13,236,169
2022-2026	35,315,000	31,323,837	66,638,837
2027-2031	43,835,000	23,532,841	67,367,841
2032-2036	48,715,000	13,654,758	62,369,758
2037-2041	33,010,000	4,935,970	37,945,970
2042-2046	3,315,000	250,250	3,565,250
Subtotal	192,970,000	110,924,612	303,894,612
Net Discounts and Premiums	1,043,670	-	1,043,670
Total	$ 194,013,670	$ 110,924,612	$ 304,938,282

Loans Payable. On March 27, 2006, the Corporation entered into a Tax Exempt Note, Series 2005, in the amount of $5 million. The Corporation drew the entire $5 million to purchase land for the purpose of establishing a Naples Center and reported the outstanding balance of the loan at June 30, 2016. Principal payments are equal to all funds collected by the Foundation pursuant to a capital campaign of the Florida Gulf Coast University Naples Center Project. The obligations under the loan are secured solely by the assignment of the capital campaign. As of June 30, 2016, the Foundation had raised $1 million of the $5 million capital campaign toward this project. Interest is assessed on the difference between the $5 million borrowed and the donations collected reduced by the amount of interest income earned during the year on the donations. The maturity date of the loan and all indebtedness outstanding was amended on October 1, 2015, and becomes due on or before September 30, 2016.

On July 1, 2013, the Corporation entered into Loan Agreement (2005A), dated July 1, 2013, in the amount of $6,800,000, and a Loan Agreement (2005B), dated July 1, 2013, in the amount of $5,100,000, collectively hereafter referred to as the Loan, authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residence Phase VII), and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I), which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate tax-exempt loans. The proceeds from the fixed rate tax-exempt loans were used to refund the outstanding principal debt of Capital Improvement Revenue Bonds, Series 2005A, in the par amount of $6,800,000, and Capital Improvement Revenue Bonds, Series 2005B, in the par amount of $5,100,000. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A and Series 2005B, are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2016, and the new fixed rate tax-exempt loan is reported as loans payable. The maturity dates or principal payment schedules were not modified, and there was no economic gain or loss from the advanced refunding of the bond debt.

The annual requirements to amortize the outstanding loans as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 5,300,000	$ 281,880	$ 5,581,880
2018	500,000	274,050	774,050
2019	400,000	261,000	661,000
2020	400,000	250,560	650,560
2021	500,000	240,120	740,120
2022-2026	2,500,000	1,004,850	3,504,850
2027-2031	3,300,000	644,670	3,944,670
2032-2036	2,900,000	193,140	3,093,140
Total	$ 15,800,000	$ 3,150,270	$ 18,950,270

Loans Payable – Component Unit. The Foundation borrowed $5,000,000 to assist a related entity to acquire real estate in Naples, Florida. The line of credit bears interest at 65 percent of the bank's prime rate minus 50 basis points (1.95 percent at June 30, 2016). Principal payments are made when donations are received for this project. This line of credit was renewed and reduced to $4,000,000 in 2009. On June 30, 2016, the outstanding balance of this line of credit was $4,000,000. The interest is due quarterly, with the principal due at maturity. The Foundation has pledged the $5,000,000 loan receivable as collateral for the line of credit. In addition, the related party has guaranteed repayment of the line of credit.

On July 27, 2007, the Foundation secured a $3,000,000 5-year loan from Northern Trust Bank at a fixed rate of 4.28 percent to purchase the Marine Science and Environmental Education Center property. On December 15, 2012, the Foundation entered into a 5-year variable interest rate loan which includes an annual principal payment of $150,000. This loan bears interest at 65 percent of prime rate (2.28 percent at June 30, 2016) which is payable quarterly.

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Loans Payable	$ 6,550,000	$ -	$ -	$ 6,550,000	$ 4,300,000

Debt service requirements of the loans are as follows:

Year Ending	Mortgage Note		Line of Credit		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 300,000	$ 54,600	$ 4,000,000	$ 39,000	$ 4,300,000	$ 93,600
2018	2,250,000	23,766	-	-	2,250,000	23,766
Total	$ 2,550,000	$ 78,366	$ 4,000,000	$ 39,000	$ 6,550,000	$ 117,366

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, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $10,409,057. The current portion of the compensated absences liability, $784,231, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last 3 years calculated as a historical percentage of those years' total compensated absences liability.

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

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (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 other postemployment benefit (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 2015-16 fiscal year, 59 retirees received postemployment healthcare benefits. The University provided required contributions of $288,000 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 $455,000, which represents 0.54 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)	$ 3,366,000
Amortization of Unfunded Actuarial	
Accrued Liability	1,644,000
Interest on Normal Cost and Amortization	201,000
Annual Required Contribution	5,211,000
Interest on Net OPEB Obligation	785,000
Adjustment to Annual Required Contribution	(725,000)
Annual OPEB Cost (Expense)	5,271,000
Contribution Toward the OPEB Cost	(288,000)
Increase in Net OPEB Obligation	4,983,000
Net OPEB Obligation, Beginning of Year	19,632,000
Net OPEB Obligation, End of Year	$ 24,615,000

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, 2016, and for the 2 preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 3,779,000	3.1%	$ 16,310,000
2014-15	3,445,000	3.6%	19,632,000
2015-16	5,271,000	5.5%	24,615,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $44,503,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $44,503,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $84,243,931 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52.8 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, 2016, and the University's 2015-16 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 4.4 percent, 8.5 percent, and 9.3 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.5 percent, 6.6 percent, and 7.5 percent for the first 3 years 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 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2016, the University's proportionate share of the net pension liabilities totaled $30,314,904. Note 11. includes a complete discussion of defined benefit pension plans.

11. 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, 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 $3,574,773 for the fiscal year ended June 30, 2016.

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.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

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

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

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 Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
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 0.04 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 $3,371,268 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of $17,431,335 for its proportionate share of the net pension liability. The net pension liability was measured as of

June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.134955671 percent, which was an increase of 0.014398527 from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $2,412,346. 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	$ 1,840,233	$ 413,418
Change of assumptions	1,156,976	-
Net difference between projected and actual earnings on FRS Plan investments	-	4,162,311
Changes in proportion and differences between University contributions and proportionate share of contributions	5,370,804	-
University FRS contributions subsequent to the measurement date	3,371,268	-
Total	$ 11,739,281	$ 4,575,729

The deferred outflows of resources related to pensions totaling $3,371,268, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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
2017	$ (365,594)
2018	(365,593)
2019	(365,593)
2020	3,068,443
2021	1,412,449
Thereafter	408,172
Total	$ 3,792,284

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2015, 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	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	100.0%			
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 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

	1% Decrease (6.65%)	**Current Discount Rate (7.65%)**	**1% Increase (8.65%)**
University's proportionate share of the net pension liability	$ 45,168,531	$ 17,431,335	$ (5,650,568)

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, 2016, the University reported a payable of $229,965 for the outstanding amount of contributions in the Pension Plan required for the fiscal year ended June 30, 2016.

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, 2016, 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 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, 2016, 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 $674,592 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2016, the University reported a liability of $12,883,569 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, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.126328980 percent, which was an increase of 0.010000861 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of $1,162,427. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 1,013,601
Net difference between projected and actual earnings on HIS plan investments	6,974
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,178,727
University contributions subsequent to the measurement date	674,592
Total	$ 2,873,894

The deferred outflows of resources totaling $674,592 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, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ 355,699
2018	355,699
2019	355,698
2020	354,283
2021	353,601
Thereafter	424,322
Total	$ 2,199,302

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014 used 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	3.80 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 3.8 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 4.29 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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
University's proportionate share of the net pension liability	$ 14,680,227	$ 12,883,569	$ 11,385,426

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.

Payables to the Pension Plan. At June 30, 2016, the University reported a payable of $49,237 for the outstanding amount of contributions to the Pension Plan required for the fiscal year ended June 30, 2016.

12. 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, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
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, 2016, 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 $736,058 for the fiscal year ended June 30, 2016.

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, 2.65 percent to cover the unfunded actuarial liability of the FRS Pension Plan, 0.01 percent to cover administrative costs, for a total of 7.8 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 $3,400,875, which includes the unfunded actuarial liability portion, and employee contributions totaled $2,260,667 for the 2015-16 fiscal year.

13. Construction Commitments

The University's construction commitments at June 30, 2016, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
South Village Recreation Center	$ 6,502,912	$ 1,180,449	$ 5,322,463
South Access Road	4,000,000	154,324	3,845,676
North Lake Village Dining Facility	2,700,000	223,544	2,476,456
Subtotal	13,202,912	1,558,317	11,644,595
Project Balances Under $1 million	5,647,313	1,531,527	4,115,786
Total	$ 18,850,225	$ 3,089,844	$ 15,760,381

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 2015-16 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses through February 14, 2016, and increased to $85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

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	$ 66,559,241
Research	2,188,813
Public Services	8,933,282
Academic Support	17,047,817
Student Services	13,626,468
Institutional Support	25,775,221
Operation and Maintenance of Plant	10,263,869
Scholarships, Fellowships, and Waivers	16,576,902
Depreciation	15,286,094
Auxiliary Enterprises	33,853,909
Total Operating Expenses	$ 210,111,616

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, Parking, and Student Services Center facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility	Parking Facility	Student Services
Assets			
Current Assets	$ 22,217,637	$ 3,840,877	$ -
Capital Assets, Net	179,462,108	21,091,777	-
Other Noncurrent Assets	7,781,964	370,583	-
Total Assets	209,461,709	25,303,237	-
Liabilities			
Current Liabilities	9,736,366	825,186	-
Noncurrent Liabilities	180,039,361	19,149,309	-
Total Liabilities	189,775,727	19,974,495	-
Net Position			
Net Investment in Capital Assets	1,174,052	66,663	-
Restricted - Expendable	8,781,964	1,370,583	-
Unrestricted	9,729,966	3,891,496	-
Total Net Position	$ 19,685,982	$ 5,328,742	$ -

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

	Housing Facility	Parking Facility	Student Services
Operating Revenues	$ 29,240,485	$ 3,475,079	$ 244,718
Depreciation Expense	(4,174,407)	(503,902)	(70,000)
Other Operating Expenses	(17,172,669)	(1,633,410)	(246,404)
Operating Income	7,893,409	1,337,767	(71,686)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	393,119	42,885	1,311,337
Other Nonoperating Expense	(5,949,324)	(754,209)	(5,257,512)
Net Nonoperating Expenses	(5,556,205)	(711,324)	(3,946,175)
Increase (Decrease) in Net Position	2,337,204	626,443	(4,017,861)
Net Position, Beginning of Year	17,348,778	4,702,299	4,017,861
Net Position, End of Year	$ 19,685,982	$ 5,328,742	$ -

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility	Student Services
Net Cash Provided (Used) by:			
Operating Activities	$ 11,182,874	$ 1,842,508	$ 200,000
Noncapital Financing Activities	(5,742,687)	(741,514)	1,122,231
Capital and Related Financing Activities	(5,134,334)	(635,000)	(5,300,000)
Investing Activities	(305,853)	(665,904)	3,977,769
Net Decrease in Cash and Cash Equivalents	-	(199,910)	-
Cash and Cash Equivalents, Beginning of Year	-	570,493	-
Cash and Cash Equivalents, End of Year	$ -	$ 370,583	$ -

17. Blended Component Unit

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

Condensed Statement of Net Position

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Assets:				
Current Assets	$ 25,820,972	$ 67,755,700	$ (2,000,000)	$ 91,576,672
Capital Assets, Net	10,971,006	527,576,567	-	538,547,573
Other Noncurrent Assets	207,465,717	1,746,727	(197,313,170)	11,899,274
Total Assets	244,257,695	597,078,994	(199,313,170)	642,023,519
Deferred Outflows of Resources	-	14,613,175	-	14,613,175
Liabilities:				
Current Liabilities	9,113,856	17,341,017	-	26,454,873
Noncurrent Liabilities	204,188,670	258,376,195	(199,313,170)	263,251,695
Total Liabilities	213,302,526	275,717,212	(199,313,170)	289,706,568
Deferred Inflows of Resources	-	4,575,729	-	4,575,729
Net Position:				
Net Investment in Capital Assets	5,747,462	322,986,442	-	328,733,904
Restricted - Expendable	10,152,547	14,527,174	-	24,679,721
Unrestricted	15,055,160	(6,114,388)	-	8,940,772
Total Net Position	$ 30,955,169	$ 331,399,228	$ -	$ 362,354,397

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

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Operating Revenues	$ 18,924,955	$ 97,327,615	$ -	$ 116,252,570
Depreciation Expense	(212,869)	(15,073,225)	-	(15,286,094)
Other Operating Expenses	(14,075,172)	(188,186,269)	7,435,919	(194,825,522)
Operating Income (Loss)	4,636,914	(105,931,879)	7,435,919	(93,859,046)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	467,598	104,470,873	-	104,938,471
Interest Expense	-	(3,068)	(7,435,919)	(7,438,987)
Other Nonoperating Revenue (Expense)	(7,546,950)	6,803,078	-	(743,872)
Net Nonoperating Revenues (Expenses)	(7,079,352)	111,270,883	(7,435,919)	96,755,612
Other Revenues	-	6,274,679	-	6,274,679
Increase (Decrease) in Net Position	(2,442,438)	11,613,683	-	9,171,245
Net Position, Beginning of Year	33,397,607	319,785,545	-	353,183,152
Net Position, End of Year	$ 30,955,169	$ 331,399,228	$ -	$ 362,354,397

Condensed Statement of Cash Flows

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 9,633,558	$ (67,267,936)	$ (10,304,883)	$ (67,939,261)
Noncapital Financing Activities	(1,736,023)	85,503,841	18,917,955	102,685,773
Capital and Related Financing Activities	(11,044,334)	(10,997,549)	(8,613,072)	(30,654,955)
Investing Activities	3,006,012	(7,168,725)	-	(4,162,713)
Net Increase (Decrease) in Cash and Cash Equivalents	(140,787)	69,631	-	(71,156)
Cash and Cash Equivalents, Beginning of Year	586,370	14,382	-	600,752
Cash and Cash Equivalents, End of Year	$ 445,583	$ 84,013	$ -	$ 529,596

18. Related Party Transactions

University and Blended Component Unit.

As part of a Master Ground and Operating Lease Agreement (see Note 10.), the University operates and pays all operating costs of the facilities leased from the Florida Gulf Coast University Financing Corporation (Corporation) from the gross rental income from the respective student residences and parking facilities. The net rental income is then paid to the Corporation by the University in arrears based on collections. The University provides office space and related occupancy costs, such as, utilities and use of other office machines as well as accounting and record keeping services at no cost to the Corporation.

Discretely Presented Component Unit.

On March 15, 2006, the Florida Gulf Coast University Foundation, Inc. (Foundation), loaned $5 million to the Corporation to purchase a two-acre lot in Naples as the future location of the University's Naples Center (Naples Center). The Naples Center will offer for-credit classes and house a 300 seat auditorium. The land purchase was deemed necessary to aid in the Foundation's fundraising efforts for construction of the Naples Center. The Corporation is responsible for the interest due on the balance not raised by donations.

The Foundation maintains a portion of its investments and had two outstanding loans with a financial institution of which a Foundation board member was an officer during the fiscal year ended June 30, 2016. The Foundation investments managed by the financial institution at June 30, 2016, totaled $26,943,226. The Foundation had outstanding loans totaling $6,550,000 with the financial institution at June 30, 2016, and paid $132,968 in interest during the fiscal year ended June 30, 2016.

The Foundation maintains a portion of its fixed income investments with an investment firm of which a Foundation board member was an officer during the fiscal year ended June 30, 2016. The Foundation investments managed by the investment firm at June 30, 2016, totaled $11,527,650.

The Foundation's operating bank account was with a financial institution that a Foundation board member was an officer of during the fiscal year ending June 30, 2016. On June 30, 2016, the Foundation had $13,913,113 on deposit with this financial institution.

On July 13, 2013, the University renewed the lease agreement with the Foundation for the use of waterfront property for the University's Vester Marine Science and Environmental Education Center. The monthly lease payment of $32,000 covers the general operating and maintenance expenses incurred by the Foundation.

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	$ -	$ 26,010,000	$ 26,010,000	0%	$ 66,215,314	39.3%
7/1/2013	-	28,949,000	28,949,000	0%	72,848,027	39.7%
7/1/2015	-	44,503,000	44,503,000	0%	84,243,931	52.8%

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

	2015 (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.134955671%	0.120557144%	0.090929688%
University's proportionate share of the FRS net pension liability	$ 17,431,335	$ 7,355,759	$ 15,653,046
University's covered-employee payroll (2)	$ 78,759,256	$ 71,749,253	$ 67,297,169
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	22.13%	10.25%	23.26%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 3,371,268	$ 3,290,334	$ 2,640,713
FRS contributions in relation to the contractually required contribution	(3,371,268)	(3,290,334)	(2,640,713)
FRS contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll (2)	$ 83,326,076	$ 78,759,256	$ 71,749,253
FRS contributions as a percentage of covered-employee payroll	4.05%	4.18%	3.68%

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

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

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

	2015 (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.126328980%	0.116328119%	0.109926339%
University's proportionate share of the HIS net pension liability	$ 12,883,569	$ 10,876,963	$ 9,570,533
University's covered-employee payroll (2)	$ 37,462,263	$ 34,108,299	$ 31,706,972
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.39%	31.89%	30.18%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%	1.78%

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 674,592	$ 482,908	$ 398,501
HIS contributions in relation to the contractually required HIS contribution	(674,592)	(482,908)	(398,501)
HIS contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll (2)	$ 39,725,141	$ 37,462,263	$ 34,108,299
HIS contributions as a percentage of covered-employee payroll	1.70%	1.29%	1.17%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of $44,503,000 was significantly higher than the July 1, 2013, liability of $28,949,000 as a result of (1) the per capita claims cost assumption increased, (2) retiree contributions were not as high as expected, (3) the healthcare trend rate assumption was revised, and (4) certain demographic assumptions were revised (retirement rates, termination rates, etc.).

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.8 percent.

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 15, 2017, 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 discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to University management in our operational audit report No. 2017-064.

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
March 15, 2017