

**FLORIDA INTERNATIONAL
UNIVERSITY**



Financial Audit

For the Fiscal Year Ended
June 30, 2008

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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 audit team leader was Marilyn E. Tolley, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA INTERNATIONAL UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements 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 International University and its officers with administrative and stewardship responsibilities for University operations had:

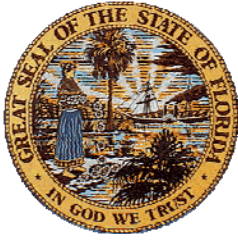
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- 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, 2008. 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 financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the University's basic financial statements as shown on pages 11 through 47. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely upon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida International University and of its aggregate discretely presented component units as of June 30, 2008, and the respective changes in financial position

and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida International 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 THE 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2008, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$1 billion at June 30, 2008. This balance reflects a \$124.3 million, or 13.8 percent, increase from the 2006-07 fiscal year, resulting primarily from an increase in net capital assets of \$26.3 million, an increase in amounts due from State of \$49.6 million, and an increase in cash and investments of \$44.2 million. While assets grew, liabilities increased by \$71.8 million, or 24.4 percent, totaling \$366.5 million at June 30, 2008, compared to \$294.7 million at June 30, 2007. As a result, the University's net assets increased by \$52.5 million, reaching a year-end balance of \$656.7 million.

The University's operating revenues totaled \$293 million for the 2007-08 fiscal year, representing a 1 percent increase over the 2006-07 fiscal year due mainly to an increase in sales and services revenue of \$7.9 million, an increase in net student tuition and fees of \$0.5 million, a decrease in grant and contract revenues of \$3.8 million, and a decrease in other revenues of \$1.8 million. Operating expenses totaled \$563.7 million for the 2007-08 fiscal year, representing an increase of 7.2 percent over the 2006-07 fiscal year due mainly to an increase in compensation and employee benefits expense of \$30.8 million and an increase in services and supplies expense of \$6.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

➤ ***Florida International University Foundation, Inc.***

The purpose of the Florida International University Foundation, Inc., is to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of Florida International University and its objectives.

➤ ***Florida International University Research Foundation, Inc.***

The purpose of the Florida International University Research Foundation, Inc., includes the promotion and encouragement of, and assistance to, the research and training activities of faculty, staff, and students of Florida International University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.

➤ ***FIU Athletics Finance Corporation***

The purpose of the FIU Athletics Finance Corporation includes the support of the University in matters pertaining to the financing of the FIU football stadium and, subsequently, the managing and operating of the facility.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

**Condensed Statement of Net Assets
(In Millions)**

	2008	2007
Assets		
Current Assets	\$ 398.0	\$ 288.8
Capital Assets, Net	606.2	579.9
Other Noncurrent Assets	19.0	30.2
Total Assets	1,023.2	898.9
Liabilities		
Current Liabilities	213.2	134.7
Noncurrent Liabilities	153.3	160.0
Total Liabilities	366.5	294.7
Net Assets		
Invested in Capital Assets, Net of Related Debt	476.1	452.1
Restricted	39.7	43.6
Unrestricted	140.9	108.5
Total Net Assets	\$ 656.7	\$ 604.2

The statement of net assets reflects the University's growth, primarily its continued physical expansion to meet student and faculty needs. Current assets mainly depict cash and investments, amounts due from the State to fund approved construction and renovation projects and receivables from students, granting agencies, and others. The current assets increase is mainly a result of the amounts due from the State, used for construction related projects, growing by \$49.6 million, and cash and investments, not classified as restricted increasing by \$59.1 million. The increase in cash and investments can be attributed to collection of tuition and fees, and increased sales and services of auxiliaries.

In summary, total assets increased by \$124.3 million, or 13.8 percent, while total liabilities increased by \$71.8 million, or 24.4 percent. As a result, the net assets balance at June 30, 2008, had a favorable increase of \$52.5 million to \$656.7 million. This ending balance included \$476.1 million invested in capital assets, net of related debt, \$140.9 million in unrestricted funds, and \$39.7 million in restricted funds.

For more detailed information, see the statement of net assets.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets 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 2007-08 and 2006-07 fiscal years:

Condensed Statement of Revenue, Expenses, and Changes in Net Assets (In Millions)		
	<u>2007-08</u>	<u>2006-07</u>
Operating Revenues	\$ 293.0	\$ 290.2
Operating Expenses	<u>563.7</u>	<u>525.7</u>
Operating Loss	(270.7)	(235.5)
Net Nonoperating Revenues	<u>296.4</u>	<u>278.3</u>
Income Before Other Revenues, Expenses, Gains, or Losses	25.7	42.8
Other Revenues, Expenses, Gains, or Losses	<u>26.8</u>	<u>28.5</u>
Net Increase in Net Assets	52.5	71.3
Net Assets, Beginning of Year	<u>604.2</u>	<u>532.9</u>
Net Assets, End of Year	<u><u>\$ 656.7</u></u>	<u><u>\$ 604.2</u></u>

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 give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2007-08 and 2006-07 fiscal years:

**Operating Revenues
(In Millions)**

	<u>2007-08</u>	<u>2006-07</u>
Net Tuition and Fees	\$ 117.6	\$ 117.1
Grants and Contracts	79.1	82.9
Sales and Services of Educational Departments	4.0	3.1
Sales and Services of Auxiliary Enterprises	81.2	74.2
Other	11.1	12.9
Total Operating Revenues	\$ 293.0	\$ 290.2

Operating revenues totaled \$293 million for the 2007-08 fiscal year, representing a 1 percent increase over the 2006-07 fiscal year. This was primarily due to an increase in sales and services revenues of \$7.9 million, an increase in net student tuition and fees of \$0.5 million, a decrease in grant and contract revenues of \$3.8 million, and a decrease in other revenues of \$1.8 million.

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 assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2007-08 and 2006-07 fiscal years:

**Operating Expenses
(In Millions)**

	<u>2007-08</u>	<u>2006-07</u>
Compensation and Employee Benefits	\$ 353.3	\$ 322.5
Services and Supplies	110.2	104.0
Utilities and Communications	15.7	18.4
Scholarships, Fellowships, and Waivers	48.7	47.3
Depreciation	35.8	33.5
Total Operating Expenses	\$ 563.7	\$ 525.7

Operating expenses totaled \$563.7 million for the 2007-08 fiscal year. This represents a 7.2 percent increase over the 2006-07 fiscal year and was primarily due to an increase in compensation and employee benefits of \$30.8 million and an increase in services and supplies expense of \$6.2 million.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, 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 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses) (In Millions)		
	<u>2007-08</u>	<u>2006-07</u>
State Appropriations	\$ 239.2	\$ 217.5
Federal and State Student Financial Aid	58.5	54.0
Investment Income	6.2	12.8
Other Nonoperating Revenues	0.2	1.4
Loss on Disposal of Capital Assets	(0.9)	(0.4)
Interest on Capital Asset-Related Debt	(6.2)	(6.5)
Other Nonoperating Expenses	<u>(0.6)</u>	<u>(0.5)</u>
Net Nonoperating Revenues	<u>\$ 296.4</u>	<u>\$ 278.3</u>

Nonoperating revenues increased 6.5 percent from the prior year due mainly to increases in State appropriations and Federal and State Student Financial Aid. State Appropriations increased by \$21.7 million due to an increase of \$16.4 million in General Revenue funding and \$5.3 million in new funding for the Medical School.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2007-08 and 2006-07 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Millions)		
	<u>2007-08</u>	<u>2006-07</u>
Capital Appropriations	\$ 21.2	\$ 25.3
Capital Grants, Contracts, Donations, and Fees	<u>5.6</u>	<u>3.2</u>
Total	<u>\$ 26.8</u>	<u>\$ 28.5</u>

Other revenues, expenses, gains, or losses totaled \$26.8 million for the 2007-08 fiscal year. This represents a 6 percent decrease over the 2006-07 fiscal year and was primarily due to a \$4.1 million decrease in Capital Appropriations resulting from the completion of several construction projects in the 2007-08 fiscal year, and an increase in Capital Grants, Contracts, Donations, and Fees of \$2.4 million, due to receipt of funding from private donations.

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 the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the 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 the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2007-08 and 2006-07 fiscal years:

**Condensed Statement of Cash Flows
(In Millions)**

	2007-08	2006-07
Cash Provided (Used) by:		
Operating Activities	\$ (227.4)	\$ (199.0)
Noncapital Financing Activities	297.5	267.8
Capital and Related Financing Activities	(31.9)	(65.2)
Investing Activities	(42.5)	(5.4)
Net Decrease in Cash and Cash Equivalents	(4.3)	(1.8)
Cash and Cash Equivalents, Beginning of Year	4.6	6.4
Cash and Cash Equivalents, End of Year	\$ 0.3	\$ 4.6

Major sources of funds came from State appropriations (\$239.2 million), net student tuition and fees (\$116.3 million), sales and services of auxiliary enterprises (\$81.8 million), and grants and contracts (\$80.6 million). Major uses of funds included payments to employees (\$347.8 million), payments to suppliers of goods and services (\$124.8 million), purchase or construction of capital assets (\$63.2 million), and payments to students for scholarships and fellowships (\$48.7 million).

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2008, the University had \$929.6 million in capital assets, less accumulated depreciation of \$323.4 million, for net capital assets of \$606.2 million. Depreciation charges for the current fiscal year totaled \$35.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Millions)

	<u>2008</u>	<u>2007</u>
Land	\$ 28.4	\$ 28.4
Buildings	432.6	399.2
Construction in Progress	47.3	57.8
Infrastructure and Other Improvements	3.0	1.0
Furniture and Equipment	35.0	34.4
Library Resources	52.4	50.9
Property Under Capital Leases	3.6	4.4
Works of Art and Historical Treasures	3.4	3.1
Computer Software	<u>0.5</u>	<u>0.7</u>
Total Capital Assets, Net	<u><u>\$ 606.2</u></u>	<u><u>\$ 579.9</u></u>

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2008, were incurred on the following projects: The Graduate School of Business (\$27.4 million), The Football Stadium Expansion/Renovation (\$18.9 million), The Patricia and Phillip Frost Art Museum (\$16.2 million), and the Wolfe University Center Addition (\$4.3 million).

The University's major capital commitments at June 30, 2008, are as follows:

	<u>Amount</u> <u>(In Millions)</u>
Total Commitment	\$ 227.5
Completed to Date	<u>(47.3)</u>
Balance Committed	<u><u>\$ 180.2</u></u>

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

DEBT ADMINISTRATION

As of June 30, 2008, the University had \$130 million in outstanding bonds and capital leases, representing a decrease of \$6.9 million, or 5.0 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Millions)

	<u>2008</u>	<u>2007</u>
Bonds Payable	\$ 126.2	\$ 132.4
Capital Leases Payable	<u>3.8</u>	<u>4.5</u>
Total	<u><u>\$ 130.0</u></u>	<u><u>\$ 136.9</u></u>

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 primary factors that will impact the University in the future are centered around the condition of the State of Florida's economy and the ability of the University to meet the capital requirements necessary to build infrastructure and to sustain growing programmatic offerings on the two University campuses.

A significant portion of the University's revenue and capital is derived from State appropriations. The State is experiencing a difficult downturn in the economy impacting revenues, resulting in decreased appropriations to higher education. State appropriations to the University dropped \$11.9 million, or 5.9 percent, for the 2008-09 fiscal year. In addition, a four percent holdback was announced by the Governor pending legislative approval expected to take place in a special session in January 2009. The four percent cut represents an additional \$9 million reduction for the University. Partially offsetting this decline, the Legislature also approved tuition increases Statewide, and a differential tuition for certain universities including Florida International University. The tuition for the 2008-09 fiscal year will increase 15 percent. It is important to note that the College of Medicine (COM) is funded from a separate line; State appropriations to the COM increased from \$5.3 million for the 2007-08 fiscal year to \$11.5 million for the 2008-09 fiscal year, which approximates the amount of \$11.7 million requested in the original COM implementation plan for the 2008-09 fiscal year.

Despite these economic issues, the University plans to continue strengthening its position as a top public urban research institution by focusing on increasing the quality of its academic and research programs and the services it provides to students and employees. The recent addition of the School of Law and the new School of Medicine will impact the University's future capital needs and revenue generating capabilities. To accommodate our growth and strengthen our research and academic excellence, the University is continuing its plan to improve and enhance infrastructure by expanding research capabilities and adding student support services such as additional housing, parking, dining and advising. Capital improvements and new construction is the centerpiece of this strategy.

The state of the economy, State appropriations to higher education, the University's ability to generate other revenues and its success in fundraising will affect the University's ability to continue to fund its capital needs necessary to build infrastructure and support its education and research mission.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer and Senior Vice-President for Finance and Administration, Vivian A. Sanchez, at Florida International University, 11200 Southwest 8th Street, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS As of June 30, 2008

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 141,050	\$ 9,391,462
Investments	207,935,820	54,206,018
Accounts Receivable, Net	25,768,252	27,603,603
Loans and Notes Receivable, Net	346,234	
Due from State	160,639,665	
Due from Component Units/University	2,575,079	2,247,206
Inventories	397,109	
Other Current Assets	216,154	1,683,555
Total Current Assets	398,019,363	95,131,844
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	121,868	6,565,414
Restricted Investments	12,650,120	88,593,616
Loans and Notes Receivable, Net	1,745,813	
Depreciable Capital Assets, Net	527,102,595	11,254,110
Nondepreciable Capital Assets	79,126,730	702,500
Due from Component Units/University	3,500,000	2,045,000
Other Noncurrent Assets	916,938	14,138,267
Total Noncurrent Assets	625,164,064	123,298,907
TOTAL ASSETS	1,023,183,427	218,430,751
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,300,523	445,764
Construction Contracts Payable	8,940,406	
Salaries and Wages Payable	13,515,147	
Deposits Payable	11,257,049	6,000
Temporary Cash Overdraft	1,822,148	
Due to State	200,426	
Due to Component Units/University	2,247,206	2,575,079
Deferred Revenue	159,680,806	1,611,441
Other Current Liabilities		1,695,628
Long-Term Liabilities - Current Portion:		
Bonds Payable	6,507,428	
Notes Payable		2,495,000
Capital Leases Payable	1,112,279	
Compensated Absences Payable	1,646,509	
Total Current Liabilities	213,229,927	8,828,912

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 119,655,064	\$ 35,000,000
Notes Payable		11,800,000
Capital Leases Payable	2,663,411	
Compensated Absences Payable	26,772,266	
Due to Component Units/University	2,045,000	3,500,000
Postemployment Health Care Benefits Payable	2,117,000	
Other Long-Term Liabilities		317,137
	153,252,741	50,617,137
Total Noncurrent Liabilities		
	153,252,741	50,617,137
TOTAL LIABILITIES	366,482,668	59,446,049
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	476,110,821	
Restricted for Nonexpendable:		
Endowment		110,230,070
Restricted for Expendable:		
Debt Service	12,334	
Loans	3,416,742	
Capital Projects	12,658,915	
Other	23,634,801	23,585,449
Unrestricted	140,867,146	25,169,183
	656,700,759	158,984,702
TOTAL NET ASSETS		
	656,700,759	158,984,702
TOTAL LIABILITIES AND NET ASSETS	\$ 1,023,183,427	\$ 218,430,751
	\$ 1,023,183,427	\$ 218,430,751

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

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$47,406,275	\$ 117,607,052	\$
Federal Grants and Contracts	59,796,029	2,949,007
State and Local Grants and Contracts	10,028,350	
Nongovernmental Grants and Contracts	9,226,621	
Sales and Services of Educational Departments	4,028,319	
Sales and Services of Auxiliary Enterprises	81,238,552	
Gifts and Donations		28,417,292
Interest on Loans and Notes Receivable	77,302	
Other Operating Revenues	11,012,934	2,101,712
Total Operating Revenues	293,015,159	33,468,011
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	353,333,006	
Services and Supplies	110,247,726	
Utilities and Communications	15,658,663	
Scholarships, Fellowships, and Waivers	48,732,287	
Depreciation	35,760,275	
Other Operating Expenses		18,078,385
Total Operating Expenses	563,731,957	18,078,385
Operating Income (Loss)	(270,716,798)	15,389,626
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	239,179,283	
Federal and State Student Financial Aid	58,533,378	
Investment Income	6,234,055	4,950,290
Other Nonoperating Revenues	162,452	214,571
Loss on Disposal of Capital Assets	(898,923)	
Interest on Capital Asset-Related Debt	(6,193,528)	(1,413,606)
Other Nonoperating Expenses	(575,042)	(10,945,996)
Net Nonoperating Revenues (Expenses)	296,441,675	(7,194,741)
Income Before Other Revenues, Expenses, Gains, or Losses	25,724,877	8,194,885
Capital Appropriations	21,216,253	
Capital Grants, Contracts, Donations, and Fees	5,604,392	
Increase in Net Assets	52,545,522	8,194,885
Net Assets, Beginning of Year	604,155,237	150,789,817
Net Assets, End of Year	\$ 656,700,759	\$ 158,984,702

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

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 116,251,793
Grants and Contracts	80,573,413
Sales and Services of Educational Departments	4,028,319
Sales and Services of Auxiliary Enterprises	81,765,288
Interest on Loans and Notes Receivable	73,994
Other Operating Receipts	11,232,278
Payments to Employees	(347,792,023)
Payments to Suppliers for Goods and Services	(124,773,330)
Payments to Students for Scholarships and Fellowships	(48,732,287)
Net Loans Issued to Students	(68,813)
	(227,441,368)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	239,179,283
Operating Subsidies and Transfers	(4,141,583)
Federal and State Student Financial Aid	58,533,378
Net Change in Funds Held for Others	2,269,748
Other Nonoperating Receipts	1,621,384
	297,462,210
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	90,046,368
Capital Grants, Contracts, Donations, and Fees	4,899,286
Capital Subsidies and Transfers	(49,312,575)
Purchase or Construction of Capital Assets	(63,203,412)
Principal Paid on Capital Debt and Leases	(8,043,105)
Interest Paid on Capital Debt and Leases	(6,248,858)
	(31,862,296)
Net Cash Used by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Investments, Net	(55,432,426)
Investment Income	12,956,447
	(42,475,979)
Net Cash Used by Investing Activities	
Net Decrease in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	4,580,351
	(4,317,433)
Cash and Cash Equivalents, End of Year	\$ 262,918

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008**

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (270,716,798)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	35,760,275
Change in Assets and Liabilities:	
Receivables, Net	(1,911,830)
Inventories	(84,220)
Other Assets	74,680
Accounts Payable	1,142,599
Salaries and Wages Payable	1,020,673
Deposits Payable	43,808
Compensated Absences Payable	2,403,310
Deferred Revenue	2,709,135
Postemployment Health Care Benefits Payable	2,117,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (227,441,368)

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

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five 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. The Board of Governors, or the Trustees if designated by the Board of Governors, selects 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 *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 or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida International University Foundation, Inc. – Encourages, solicits, receives, and administers gifts and bequests of property and funds for the advancement of the University and its objectives.

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

- Florida International University Research Foundation, Inc. – Promotes encourages, and assists research and training activities of faculty, staff, and students of the University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.
- FIU Athletics Finance Corporation – Supports the University in matters pertaining to the financing of the University’s football stadium and subsequent managing and operating of the facility.

An annual audit of each organization’s financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University’s component units, including copies of audit reports, is available by contacting the University Controller’s Office. Condensed financial statements for the University’s discretely presented component units are shown in a subsequent note.

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 the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management’s Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains,

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred. The Florida International University Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. The Florida International University Research Foundation, Inc., and the FIU Athletics Finance Corporation follow the GASB standards of accounting and financial reporting because they meet the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the organization's governing body by one or more State or local governments.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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 on capital assets. Nonoperating revenues include State 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 assets 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 assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a 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 to be third-party aid.

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

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

Capital Assets. University capital assets consist of land, buildings, construction in progress, infrastructure and other improvements, furniture and equipment, library resources, computer software, property under capital leases, and works of art and historical treasures. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$50,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 15 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Computer Software – 5 years
- Property Under Capital Leases – 5 years

Depreciable assets of the Florida International University Foundation, Inc., are stated at cost and are net of accumulated depreciation of \$1,989,525. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, capital leases payable, compensated absences payable, and postemployment health care benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

2. CASH AND CASH EQUIVALENTS

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

Concentrations of Credit Risk – Component Units

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the component unit's deposits may not be returned to it. Subsequent to year end, the Federal Depository Insurance Company (FDIC) deposit insurance threshold was temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. Foreign exchange risk for deposits is the risk that, in the event of an adverse movement in foreign exchange rates, the component unit's deposits may not be returned to it.

At June 30, 2008, the Florida International University Foundation, Inc., and the FIU Athletics Finance Corporation had approximately \$7,044,000 and \$3,540,955, respectively, in financial institutions that were in excess of the FDIC limits.

At June 30, 2008, the Florida International University Research Foundation, Inc., had \$519,952 in financial institutions that were in excess of FDIC insured limits. In addition, this component unit maintains a deposit balance in Colombia, South America, to manage its operations pertaining to grant activities in that country. The balance in this account of \$207,444 as of June 30, 2008, was not FDIC insured and is subject to foreign exchange risk.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, 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. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2008, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 105,081,886
State Board of Administration Local Government Surplus Funds Trust Fund	6
State Board of Administration Fund B Surplus Funds Trust Fund	20,195
Mutual Funds:	
Limited Partnerships	23,564,289
Equities	24,945,435
Fixed Income and Bond Mutual Funds	<u>66,974,129</u>
Total University Investments	<u>\$ 220,585,940</u>

External Investment Pools

The University reported investments at fair value totaling \$105,081,886 at June 30, 2008, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

At June 30, 2008, the University reported investments at fair value totaling \$6 in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weight-average days to maturity (WAM) of 20.22 days as of June 30, 2008. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments.

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund. Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2008, the University reported investments at fair value of \$20,195 for amounts held in Fund B. The University’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The University’s investment in Fund B is unrated.

Fixed Income and Bond Mutual Funds

The University invested in various mutual funds in accordance with the University’s investment policy. The following risks apply to the University’s fixed income and bond mutual fund investments:

- *Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(6), Florida Statutes, the University’s investments in securities must provide sufficient liquidity to pay obligations as they come due. The future maturities of the securities held in the fixed income and bond mutual funds at June 30, 2008, are as follows:

Type of Investment	University Debt Investment Maturities				
	Investment Maturities (In Years)				
	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund	\$ 35,642,788	\$ 4,890,191	\$ 7,224,793	\$ 16,260,240	\$ 7,267,564
TIPS Index Fund	22,539,095	22,539	6,626,494	9,624,194	6,265,868
High Yield Bond Mutual Fund	8,792,246	1,084,172	2,158,858	5,076,306	472,910
Total	\$ 66,974,129	\$ 5,996,902	\$ 16,010,145	\$ 30,960,740	\$ 14,006,342

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

- *Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2008, the securities held in the high yield bond mutual fund had credit quality ratings by a nationally-recognized rating agency (i.e., Standard and Poor's), as follows:

University Debt Investment Credit Quality Ratings					
Type of Investment	Fair Value	AAA	AA	A	BBB to Not Rated
Fixed Income					
Mutual Fund	\$35,642,788	\$21,581,708	\$ 1,158,391	\$ 4,494,556	\$ 8,408,133
TIPS Index Fund	22,539,095	22,539,095			
High Yield Bond Mutual Fund	8,792,246	573,465	26,370	87,901	8,104,510
Total	\$ 66,974,129	\$ 44,694,268	\$ 1,184,761	\$ 4,582,457	\$ 16,512,643

- *Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy addresses the issue of concentration of credit risk by establishing the following restrictions:
- Maximum position in an individual security (excluding Government securities) must not exceed 5 percent of the account market value.
 - Maximum position in any one issuer (excluding Government securities) must not exceed 5 percent of the account market value.

Component Units Investments

The Florida International University Foundation, Inc. maintains investment accounts with financial institutions which are not insured by FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. Investments at June 30, 2008, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Common Stock and Mutual Funds	\$ 69,375,811
Limited Partnerships	36,398,112
U.S. Government and Municipal Securities	11,225,681
Corporate Bonds	3,535,345
Accrued Interest	183,330
Total	\$ 120,718,279

The FIU Athletics Finance Corporation investments are made in accordance with the trust indenture dated April 1, 2007. The investments at June 30, 2008, are reported at fair value, as follows:

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Board of Administration Local Government Surplus Funds Trust Fund	\$ 4,404,271
State Board of Administration Fund B Surplus Funds Trust Fund	1,476,705
Money Market Funds	<u>16,200,379</u>
Total	<u><u>\$ 22,081,355</u></u>

At June 30, 2008, the FIU Athletics Finance Corporation reported investments at fair value totaling \$4,404,271 and \$1,476,705 in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) and the Fund B Surplus Funds Trust Fund, respectively. Both external investment pools are administered by the State Board of Administration pursuant to Sections 218.405 and 218.417 Florida Statutes. Disclosures regarding both external investment pools are presented on pages 21 and 22.

At June 30, 2008, the FIU Athletics Finance Corporation reported investments at fair value totaling \$16,200,379 in a money market mutual fund that only invests in U.S. Government issues and other AAA rated issues with maturity of 397 days or less. The fund maintains an average maturity of less than 60 days and is rated AAA by Standard and Poor's. The fund complies with the requirements of Rule 2a-7 under the 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2008, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 12,317,825
Student Tuition and Fees	13,135,778
Other	<u>314,649</u>
Total Accounts Receivable, Net	<u><u>\$ 25,768,252</u></u>

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

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

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$13,690,143 and \$1,143,064, respectively, at June 30, 2008.

5. DUE FROM STATE

This amount consists of \$157,040,207 of Public Education Capital Outlay, and \$3,599,458 of Alec P. Courtelis Capital Facility Matching Trust Fund due from the State to the University for construction of University facilities.

6. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The \$6,075,079 reported as due from component units, current and non-current, represents grants totaling \$207,444 owed to the University by the Florida International University Research Foundation, Inc., \$3,500,000 due from the FIU Athletics Finance Corporation to fund a reserve account for the issuance of bonds (see note 18), and \$2,367,635 for construction costs related to the Football Stadium billed to the FIU Athletics Finance Corporation at June 30, 2008.

The \$4,292,206 reported as due to component units consists of \$4,030,000 owed by the University to the Florida International Research Foundation, Inc. (Research Foundation), to fund a promissory note issued by the Research Foundation to assist the University with a settlement agreement involving various Federal agencies (see note 17), and \$262,206 owed for funds advanced from the Florida International University Foundation, Inc., to purchase furniture and equipment related to the Frost Art Museum.

7. INVENTORIES

Inventories have been categorized into the following two types:

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

**FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

comprised of telephone, information technology, and pharmaceutical supplies, as well as items maintained at the University's duplicating and postal service centers. Merchandise inventories are reported on the statement of net assets, and are valued at cost using the first-in, first-out, method.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 28,389,550	\$	\$	\$ 28,389,550
Works of Art and Historical Treasures	3,148,604	286,700		3,435,304
Construction in Progress	57,781,080	42,468,017	52,947,221	47,301,876
Total Nondepreciable Capital Assets	\$ 89,319,234	\$ 42,754,717	\$ 52,947,221	\$ 79,126,730
Depreciable Capital Assets:				
Buildings	\$ 538,934,276	\$ 50,895,392	\$	\$ 589,829,668
Infrastructure and Other Improvements	10,137,757	4,515,525		14,653,282
Furniture and Equipment	138,920,753	13,817,660	11,123,951	141,614,462
Library Resources	89,596,752	6,598,098	1,724	96,193,126
Computer Software	2,452,123	546,055	1,067,295	1,930,883
Property Under Capital Leases	8,092,122	1,511,797	3,305,302	6,298,617
Total Depreciable Capital Assets	788,133,783	77,884,527	15,498,272	850,520,038
Less, Accumulated Depreciation:				
Buildings	139,706,659	17,436,052		157,142,711
Infrastructure and Other Improvements	9,140,495	2,525,583		11,666,078
Furniture and Equipment	104,431,834	8,272,596	6,097,447	106,606,983
Library Resources	38,704,693	5,118,059		43,822,752
Computer Software	1,779,803	575,731	924,169	1,431,365
Property Under Capital Leases	3,739,738	1,832,254	2,824,438	2,747,554
Total Accumulated Depreciation	297,503,222	35,760,275	9,846,054	323,417,443
Total Depreciable Capital Assets, Net	\$ 490,630,561	\$ 42,124,252	\$ 5,652,218	\$ 527,102,595

9. TEMPORARY CASH OVERDRAFT

The University maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2008. This did not, however, represent an overdraft in the University's depository account.

10. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of

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Education, as of June 30, 2008, to spend the funds. In addition, deferred revenue also includes stadium rental income for prepaid rent received from the FIU Athletics Finance Corporation, contracts and grants payments received in advance, and student housing fees and athletic revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2008, the University reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Capital Appropriations	\$ 139,164,101
Stadium Rental Income	14,583,573
Contracts and Grants	5,119,918
Student Housing Fees	720,169
Athletic Revenues	<u>93,045</u>
Total Deferred Revenue	<u>\$ 159,680,806</u>

11. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2008, include bonds, capital leases, compensated absences, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 132,355,661	\$	\$ 6,193,169	\$ 126,162,492	\$ 6,507,428
Capital Leases Payable	4,528,627	1,511,797	2,264,734	3,775,690	1,112,279
Compensated Absences Payable	26,015,466	5,360,787	2,957,478	28,418,775	1,646,509
Postemployment Health Care Benefits Payable		<u>3,429,000</u>	<u>1,312,000</u>	<u>2,117,000</u>	
Total Long-Term Liabilities	<u>\$ 162,899,754</u>	<u>\$ 10,301,584</u>	<u>\$ 12,727,381</u>	<u>\$ 160,473,957</u>	<u>\$ 9,266,216</u>

12. REVENUE BONDS PAYABLE

The University had the following bonds payable outstanding at June 30, 2008:

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Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1995	\$ 7,780,000	\$ 4,088,880	5.00 - 5.375	2016
1998	26,525,000	22,039,164	4.30 - 4.75	2028
1999	7,530,000	5,106,439	4.85 - 5.625	2019
2000	14,605,000	12,065,379	4.60 - 5.75	2025
2002	22,915,000	17,960,525	3.00 - 4.60	2022
2004A	53,915,000	48,478,579	4.00 - 5.00	2034
Total Auxiliary Revenue Bonds	133,270,000	109,738,966		
State University System Revenue Bonds:				
1997A	4,360,924	3,240,524	4.625 - 5.00	2016
1998	5,643,367	4,020,271	4.40 - 5.00	2023
2001	5,566,922	4,547,587	4.00 - 5.00	2026
2003A	5,049,124	2,644,348	5.00	2013
2005A	2,257,296	1,970,796	3.625 - 4.125	2022
Total State University System Revenue Bonds	22,877,633	16,423,526		
Total	\$ 156,147,633	\$ 126,162,492		

Note: (1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues.

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

State University System revenue bonds were issued to acquire and construct various university facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,338,874	\$ 5,835,758	\$ 12,174,632
2010	6,620,109	5,547,342	12,167,451
2011	6,934,134	5,245,578	12,179,712
2012	7,245,103	4,928,186	12,173,289
2013	7,586,683	4,591,833	12,178,516
2014-2018	34,184,649	17,558,489	51,743,138
2019-2023	27,057,831	10,412,297	37,470,128
2024-2028	18,182,528	4,934,657	23,117,185
2029-2033	9,325,000	1,774,125	11,099,125
2034	2,125,000	95,625	2,220,625
Subtotal	125,599,911	60,923,890	186,523,801
Plus: Net Bond Discounts, Premiums, and Losses on Bond Refundings	562,581		562,581
Total	<u>\$ 126,162,492</u>	<u>\$ 60,923,890</u>	<u>\$ 187,086,382</u>

13. CAPITAL LEASES PAYABLE

Data processing and food service equipment, and vehicles in the amount of \$6,298,617 are being acquired under capital lease agreements. The stated interest rates range from 3.22 to 11.60 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 1,261,135
2010	1,205,515
2011	958,401
2012	590,247
2013	108,416
Total Minimum Payments	4,123,714
Less, Amount Representing Interest	(348,024)
Present Value of Minimum Payments	<u>\$ 3,775,690</u>

14. 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' Regulation 6C-5.920 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 appropriations fund only

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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, 2008, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$28,418,775. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

15. POSTEMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2007-08 fiscal year, the University implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the State Group Health Insurance Program. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$48,762,000 at the July 1, 2007, the date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

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. The University subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 206 retirees received postemployment health care benefits. The University provided required contributions of \$1,312,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims

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expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,618,000.

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 provisions 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 year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 1,616,000
Amortization of Unfunded Actuarial Accrued Liability	1,681,000
Interest on Normal Cost and Amortization	<u>132,000</u>
Annual Required Contribution	3,429,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	<u>-</u>
Annual OPEB Cost (Expense)	3,429,000
Contribution Toward the OPEB Cost	<u>(1,312,000)</u>
Increase in Net OPEB Obligation	2,117,000
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,117,000</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (the first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	3,429,000	38.3%	2,117,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$48,762,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$48,762,000. The covered payroll (annual payroll of active

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participating employees) was \$223,494,966 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.8 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's initial OPEB actuarial valuation as of July 1, 2007, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the estimated 2007-08 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial health care cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps after 8 years and 9 years, respectively. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open 30 year period. The remaining amortization period at June 30, 2008, was 29 years.

16. NOTES PAYABLE – FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued \$13,000,000 tax-exempt revenue bonds (Florida International University Foundation Project – Series 1999). These bonds are payable from and secured by a pledge of payments to be made to the Authority under a loan agreement dated December 1, 1999, between the Florida International University Foundation, Inc. (Foundation), and the Authority. The Foundation will finance the payments to the Authority under

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the loan agreement with lease payments received from the University under an operating lease (see note 22). The \$13,000,000 principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on 50 percent of the original issue, \$6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see note 19). The bond proceeds are being used to acquire, construct, and equip a multi-function support complex located on the University Park campus and to pay issuance costs. As of June 30, 2008, the outstanding principal balance due under this note payable was \$9,780,000.

The bonds are also payable from an irrevocable letter of credit. On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to \$13,000,000 through December 15, 2004, bearing interest at the prime rate plus 2 percent. On November 29, 2004, this agreement was extended, with the same terms and conditions, through December 15, 2009. The Foundation must pay an annual commitment fee of .45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

Under the letter of credit agreement and loan agreement noted above, the Foundation is obligated under debt covenants to which they are in compliance with.

The aggregate maturities of the notes payable, as of June 30, 2008, are shown in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 525,000
2010	550,000
2011	575,000
2012	605,000
2013	640,000
Thereafter	<u>6,885,000</u>
Total	<u><u>\$ 9,780,000</u></u>

**17. NOTES PAYABLE – FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INC. – RELATED PARTY TRANSACTION**

The Florida International University Research Foundation, Inc. (Research Foundation), issued the following promissory note on June 30, 2005, to assist the University with a settlement agreement involving various Federal agencies, relating to the Hemispheric Center for Environmental Technology. The University is obligated to provide funds to the Research Foundation to pay the principal and interest on the note as follows:

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- \$7,955,000, Florida International University Research Foundation, Inc., Tax-Exempt Note, Series 2005; interest at 65 percent of three-month London Interbank Offered Rate plus 39.23 basis points; interest and principal payable on a quarterly basis with principal ranging from \$1,970,000 on July 1, 2009, to a final payment of \$515,000 on July 1, 2010 (see note 19).

Principal and interest requirements on the note payable outstanding as of June 30, 2008, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,970,000	\$ 120,869	\$ 2,090,869
2010	2,030,000	57,235	2,087,235
2011	515,000	4,100	519,100
Total	\$ 4,515,000	\$ 182,204	\$ 4,697,204

18. BONDS PAYABLE – FIU ATHLETICS FINANCE CORPORATION

On April 20, 2007, the FIU Athletics Finance Corporation issued \$28,000,000 of Capital Improvement Revenue Bonds, Series 2007A, and \$7,000,000 of Capital Improvement Revenue Bonds, Series 2007B. These bonds were issued and secured under and pursuant to a trust indenture, dated April 1, 2007, between the FIU Athletics Finance Corporation and a commercial bank, as trustee, and shall be payable from pledged revenues. The bond proceeds will be used to finance certain football stadium improvements, fund capitalized interest through March 1, 2009, fund a deposit to a debt service reserve fund, and pay costs related to the issuance of the bonds. The bonds are secured by operating and nonoperating revenues of the facility and University athletic fees.

The interest rate on these bonds are both fixed and variable and are subject to a hedge agreement that was entered into to reduce the exposure to market risks from changing interest rates (see note 19).

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	\$ 1,594,009	\$ 1,594,009
2010	730,000	1,585,156	2,315,156
2011	775,000	1,540,675	2,315,675
2012	825,000	1,495,516	2,320,516
2013	880,000	1,441,092	2,321,092
2014-2018	5,340,000	6,349,177	11,689,177
2019-2023	6,905,000	4,929,851	11,834,851
2024-2028	8,660,000	3,320,973	11,980,973
2029-2033	10,885,000	1,298,634	12,183,634
Total	\$ 35,000,000	\$ 23,555,083	\$ 58,555,083

19. DERIVATE FINANCIAL INSTRUMENTS – COMPONENT UNITS

The Florida International University Foundation, Inc., the Florida International University Research Foundation, Inc., and the FIU Athletics Finance Corporation all entered into derivative instruments (i.e., interest rate swap agreements) to reduce their exposure to market risks from changing interest rates. For interest rate swap agreements, the differential to be paid or received is accrued and recognized as interest expense and may change as market interest rates change. These interest rate swap agreements, and a related Letter of Credit agreement entered into by the FIU Athletics Finance Corporation, are discussed below.

Florida International University Foundation, Inc. (Foundation)

On February 1, 2000, the Foundation entered into an interest rate swap agreement (swap agreement) with a commercial bank on a notional amount of \$6,500,000, which represents 50 percent of the principal amount of the bond issue, as described in note 16. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month U.S. Dollar London Interbank Offered Rate (LIBOR). Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015.

Florida International University Research Foundation, Inc. (Research Foundation)

On June 30, 2005, the Research Foundation entered into an interest rate swap agreement with a commercial bank on a notional amount of \$7,955,000, which represents the notes payable described in note 17. Under the swap agreement, the Research Foundation agrees to pay a fixed rate of 3.15 percent per annum and receive a variable rate based on 65 percent of the three-month LIBOR plus 39.23 basis points. As of June 30, 2008, the Research Foundation reported a derivative liability of \$40,701 in the

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statement of net assets and an unrealized loss of \$114,982 in the statement of revenue, expenses, and changes in net assets. The difference is due to the positive derivative's value of \$74,281 at the end of the 2006-07 fiscal years. The swap agreement has a maturity date of July 1, 2010.

FIU Athletics Finance Corporation (Finance Corporation)

On May 30, 2007, the Finance Corporation entered into an interest rate swap agreement with a commercial bank on a notional amount of \$21,000,000, which represents the fixed portion of the bonds payable described in note 18. Under the swap agreement, the Finance Corporation agrees to pay a fixed rate of 4.1451 percent per annum and receive a variable rate based on the Securities Industry and Financial Markets Association (SIFMA) index (tax-exempt variable demand bond index maintained by the Bond Marketing Association). As of June 30, 2008, the Finance Corporation reported a derivative liability of \$1,007,830 in the statement of net assets and an unrealized loss on derivative instrument of \$1,323,965 in the statement of revenues, expenses, and changes in net assets. The swap agreement has a maturity date of March 1, 2033.

On April 1, 2007, Regions Bank, as Trustee for the \$35,000,000 Series 2007A and 2007B Bonds for the construction of the University's football stadium, issued a letter of credit to serve as security for the payments of the bonds. The letter of credit will be in effect until April 15, 2012, and will automatically extend equal to the remaining balance of the bonds payable for a period of one year, subject to approval of Regions Bank, but not to extend beyond April 15, 2033. The Finance Corporation agrees to repay any draws against the letter of credit plus annual interest equal to the three-month LIBOR plus two percent. Construction draws to date of June 30, 2008, were \$14,583,573. Under the letter of credit agreement, the Finance Corporation is required to have \$3,500,000 in an interest-bearing reserve fund deposited with Regions Bank, which is included in restricted cash and cash equivalents.

20. RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined-benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service.

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The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 employer. An employee may participate in the 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 State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$5,872,754, \$7,358,824, and \$7,869,759, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer

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contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 284 University participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$1,048,484.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on 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, Division of Retirement.

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 the FRS for six 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 on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 1,662 University participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$13,222,747, and employee contributions totaled \$5,122,799.

21. CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2008, are as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Molecular Biology Building	\$ 39,468,243	\$ 1,096,305	\$ 38,371,938
Science Classroom Complex	38,000,000	135,000	37,865,000
Graduate Classroom Building	23,300,000	102,229	23,197,771
Social Science - International Studies Building	22,849,971	284,651	22,565,320
International Hurricane Center	15,000,000	175	14,999,825
Football Stadium Expansion/Renovation	32,819,024	18,945,238	13,873,786
Utilities/Infrastructure Improvements	7,000,000	1,230,920	5,769,080
Utilities/Infrastructure/Capital Renewals/Roofs	5,000,000	1,916,545	3,083,455
Public Safety Building, University Park Campus	3,131,025	77,085	3,053,940
Subtotal	186,568,263	23,788,148	162,780,115
Projects with Balance Committed Under \$3 Million	40,959,834	23,513,728	17,446,106
Total	\$ 227,528,097	\$ 47,301,876	\$ 180,226,221

22. OPERATING LEASE COMMITMENTS WITH FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. – RELATED PARTY TRANSACTION

On December 1, 1999, the former Board of Regents of the State University System of the State of Florida for and on behalf of the University entered into a ground lease agreement with the Florida International University Foundation, Inc. (Foundation). Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the University Park campus. The consideration required to be paid by the Foundation is \$10 annually. The ground lease will expire on December 31, 2024, or on the date the Foundation makes its final payment under a letter of credit agreement related to the financing of the facility. On December 1, 1999, the former Board of Regents on behalf of the University also entered into a 20-year operating lease agreement with the Foundation for the facility. Under the terms of the operating lease, the University will pay the Foundation rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and loan agreement related to the financing of the facility. The payments also include any costs of operating and maintaining the facility, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the facility became operational. The lease will terminate on May 1, 2022, which is the date of maturity of the loan agreement.

The facility under the above operating lease is not recorded as an asset on the statement of net assets; however, the operational lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. The following schedule by years presents management's best estimate of future minimum rental payments for this noncancelable operating lease as of June 30, 2008:

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<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 1,260,000
2010	1,260,000
2011	1,260,000
2012	1,260,000
2013	1,260,000
Thereafter	<u>11,340,000</u>
Total Minimum Payments Required	<u><u>\$ 17,640,000</u></u>

23. GIFT AGREEMENT – FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

The Wolfsonian, Inc. (Wolfsonian), was established in 1986 to create and operate a museum and research center in Miami Beach, Florida, and to support a comprehensive program focused on the collection, exhibition, interpretation, preservation, research and publication of the decorative, design and architectural arts. The Wolfsonian has been loaned the Mitchell Wolfson, Jr., collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. It encompasses furniture, sculpture, paintings, books, graphics, and other works of art on paper, as well as archives relating to the period. Through a series of academic study and fellowship programs, national and international traveling exhibitions, and scholarly initiatives, the Wolfsonian promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

On July 1, 1997, the Foundation entered into a gift agreement (Agreement) with Mitchell Wolfson, Jr., the Wolfsonian, and the University, whereby Mitchell Wolfson, Jr., agreed to donate all rights, title, and interest in and to all objects constituting the Mitchell Wolfson, Jr., Collection of Decorative and Propaganda Arts to the Foundation, subject to a loan agreement made and entered into by the Wolfsonian and Mr. Wolfson, Jr., dated July 29, 1991. The loan agreement was extended in July 2001 for ten years to July 2011.

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of “collection” as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated Collection of Decorative and Propaganda Arts is not reflected in the accompanying consolidated financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection

**FLORIDA INTERNATIONAL UNIVERSITY
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JUNE 30, 2008**

items are not reflected in the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

As a result of the Agreement, the Wolfsonian amended its articles of incorporation and bylaws to provide that all its directors be appointed and removed at any time with or without cause by the Foundation, to effect a transfer of complete control of all of the assets, interest, and obligations of the Wolfsonian to the Foundation. On May 26, 1999, the Foundation passed a revision to the bylaws of the Wolfsonian to make the Foundation the sole voting member of the Wolfsonian.

The gifts are conditional upon the provisions outlined in the Agreement, including but not limited to the Foundation continuing the museum and educational activities and operations that were conducted by the Wolfsonian. As a result of the Agreement, the University and Foundation have assumed all administrative functions and operating costs of the Wolfsonian.

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of \$2.2 million during the 2007-08 fiscal year for Wolfsonian expenses which included salaries, equipment, administrative expenses, insurance premium for the art collection, and building security. In addition, the University provided support of approximately \$215,000 during the 2007-08 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

24. 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(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, Federal Civil Rights, and fleet automotive liability. During the 2007-08 fiscal year, for property losses the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million per occurrence; 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

**FLORIDA INTERNATIONAL UNIVERSITY
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JUNE 30, 2008**

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 \$100,000 per person and \$200,000 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 three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care 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.

25. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

26. 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 academic departments 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 assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 128,828,222
Research	68,051,992
Public Service	6,091,295
Academic Support	75,585,294
Student Services	21,145,946
Institutional Support	60,698,890
Operation and Maintenance of Plant	36,057,627
Scholarships and Fellowships	29,879,790
Depreciation	35,760,275
Auxiliary Enterprises	101,542,510
Loan Operations	90,116
Total Operating Expenses	<u><u>\$ 563,731,957</u></u>

27. SEGMENT INFORMATION

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

Condensed Statement of Net Assets

	<u>Housing Revenue Bonds</u>	<u>Parking Revenue Bonds</u>
Assets		
Current Assets	\$ 12,179,101	\$ 11,623,110
Capital Assets, Net	91,631,524	40,557,496
Other Noncurrent Assets	3,641,054	199,200
Total Assets	<u>107,451,679</u>	<u>52,379,806</u>
Liabilities		
Current Liabilities	4,836,918	1,883,484
Noncurrent Liabilities	79,720,709	25,460,981
Total Liabilities	<u>84,557,627</u>	<u>27,344,465</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,063,217	13,514,700
Restricted - Expendable	5,006,801	18,008
Unrestricted	9,824,034	11,502,633
Total Net Assets	<u><u>\$ 22,894,052</u></u>	<u><u>\$ 25,035,341</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

	Housing Revenue Bonds	Parking Revenue Bonds
Operating Revenues	\$ 21,242,663	\$ 8,705,099
Depreciation Expense	(3,376,466)	(1,121,196)
Other Operating Expenses	(10,885,177)	(3,197,214)
Operating Income	<u>6,981,020</u>	<u>4,386,689</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	1,695,745	249,347
Interest Expense	(3,886,420)	(1,300,830)
Other Nonoperating Expense	(75,462)	(14,199)
Net Nonoperating Expenses	<u>(2,266,137)</u>	<u>(1,065,682)</u>
Income Before Transfers	4,714,883	3,321,007
Net Transfers	18,325	(790,481)
Increase in Net Assets	4,733,208	2,530,526
Net Assets, Beginning of Year	18,160,844	22,504,815
Net Assets, End of Year	<u>\$ 22,894,052</u>	<u>\$ 25,035,341</u>

Condensed Statement of Cash Flows

	Housing Revenue Bonds	Parking Revenue Bonds
Net Cash Provided (Used) by:		
Operating Activities	\$ 10,729,304	\$ 5,039,516
Capital and Related Financing Activities	(6,107,183)	(4,522,163)
Investing Activities	(2,295,331)	(638,435)
Net Increase (Decrease) in Cash and Cash Equivalents	2,326,790	(121,082)
Cash and Cash Equivalents, Beginning of Year	187,617	197,896
Cash and Cash Equivalents, End of Year	<u>\$ 2,514,407</u>	<u>\$ 76,814</u>

28. COMPONENT UNITS

The University has three component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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	Direct-Support Organizations			Total
	Florida International University Foundation, Inc.	Florida International University Research Foundation, Inc.	FIU Athletics Finance Corporation	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 70,804,182	\$ 3,061,770	\$ 21,265,892	\$ 95,131,844
Capital Assets, Net	11,956,610			11,956,610
Other Noncurrent Assets	89,046,573	2,045,000	20,250,724	111,342,297
Total Assets	171,807,365	5,106,770	41,516,616	218,430,751
Liabilities:				
Current Liabilities	1,835,847	2,507,503	4,485,562	8,828,912
Noncurrent Liabilities	9,572,137	2,545,000	38,500,000	50,617,137
Total Liabilities	11,407,984	5,052,503	42,985,562	59,446,049
Net Assets:				
Restricted	133,815,519			133,815,519
Unrestricted	26,583,862	54,267	(1,468,946)	25,169,183
Total Net Assets	\$ 160,399,381	\$ 54,267	\$ (1,468,946)	\$ 158,984,702
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 30,519,004	\$ 2,949,007	\$	\$ 33,468,011
Operating Expenses	15,114,880	2,955,562	7,943	18,078,385
Operating Income (Loss)	15,404,124	(6,555)	(7,943)	15,389,626
Net Nonoperating Expenses	(5,639,958)	(67,357)	(1,487,426)	(7,194,741)
Increase (Decrease) in Net Assets	9,764,166	(73,912)	(1,495,369)	8,194,885
Net Assets, Beginning of Year	150,635,215	128,179	26,423	150,789,817
Net Assets, End of Year	\$ 160,399,381	\$ 54,267	\$ (1,468,946)	\$ 158,984,702

29. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools (SACS), Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. The University is scheduled to submit its Compliance Certification in September of 2009 and SACS will conduct its onsite review in March of 2010. Given the timing of receiving final audited financial statements, and in order to provide comparative data, the University is electing to present this required statement for both the 2007-08 and 2008-09 fiscal years. The statement of net assets and the statement of revenues, expenses, and changes in net assets for the current unrestricted funds for the 2007-08 fiscal year are presented, as follows:

**FLORIDA INTERNATIONAL UNIVERSITY
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Statement of Current Unrestricted Funds Net Assets

Assets

Current Assets:

Cash and Cash Equivalents	\$ 48,405
Investments	172,718,830
Accounts Receivable, Net	13,205,509
Due from Component Units	2,367,635
Inventories	397,109
Other Current Assets	<u>111,732</u>

Total Current Assets 188,849,220

Noncurrent Assets:

Due from Component Units	<u>3,500,000</u>
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Total Assets 192,349,220

Liabilities

Current Liabilities:

Accounts Payable	4,056,020
Salaries and Wages Payable	11,154,725
Deposits Payable	126,018
Temporary Cash Overdraft	801,098
Due to State	49,200
Due to Component Units	1,959,720
Deferred Revenue	3,179,249
Compensated Absences Payable	<u>1,506,027</u>

Total Current Liabilities 22,832,057

Noncurrent Liabilities:

Compensated Absences Payable	24,488,017
Due to Component Units	2,045,000
Post Employment Health Care Benefits Payable	<u>2,117,000</u>

Total Noncurrent Liabilities 28,650,017

Total Liabilities 51,482,074

Total Net Assets \$ 140,867,146

**FLORIDA INTERNATIONAL UNIVERSITY
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**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Assets**

Revenues

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$3,063,427	\$ 161,945,637
Nongovernmental Grants and Contracts	795,397
Sales and Services of Educational Departments	4,028,151
Sales and Services of Auxiliary Enterprises	81,238,552
Other Operating Revenues	<u>9,797,635</u>

Total Operating Revenues 257,805,372

Expenses

Operating Expenses:

Compensation and Employee Benefits	306,598,571
Services and Supplies	88,341,003
Utilities and Communications	15,619,558
Scholarships, Fellowships, and Waivers	<u>24,646,040</u>

Total Operating Expenses 435,205,172

Operating Loss (177,399,800)

Nonoperating Revenues (Expenses)

State Appropriations	239,179,283
Investment Income	3,813,821
Interest on Capital Asset-Related Debt	(218,992)
Other Nonoperating Expenses	<u>(200,763)</u>

Net Nonoperating Revenues 242,573,349

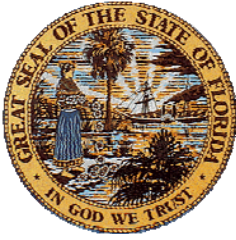
Income Before Other Revenues,

Expenses, Gains, or Losses	65,173,549
Capital Grants, Contracts, Donations, and Fees	2,500
Transfers to Other Funds, Net	<u>(32,726,304)</u>

Increase in Net Assets 32,449,745

Net Assets, Beginning of Year 108,417,401

Net Assets, End of Year \$ 140,867,146



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We audited the financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the

University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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*.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 13, 2009