REPORT NO. 2012-115
MARCH 2012

FLORIDA INTERNATIONAL UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

Notes: (1) Chair position remained vacant from Janurary 7, 2011, through March 29, 2011.
(2) Faculty senate chair.
(3) Position remained vacant from June 22, 2011, through June 30, 2011.
(4) Position remained vacant from January 21, 2011, through March 21, 2011.
(5) Student body president.

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 Pierre Chammas, 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 reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; 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, 2011. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2012-092.

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.

AUDITOR GENERAL
STATE OF FLORIDA

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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S
REPORT 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, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. 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, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2011, 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 a 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

David W. Martin

David W. Martin, CPA
March 2, 2012

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, 2011, 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 $1.2 billion at June 30, 2011. This balance reflects a $70.1 million, or 6.1 percent, increase from the 2009-10 fiscal year, resulting primarily from an increase in net capital assets of $36.8 million, amounts due from the State, used for construction related projects of $9.7 million and an increase in cash and investments of $19.5 million. While assets increased, liabilities decreased by $0.3 million, totaling $350.2 million at June 30, 2011, compared to $350.5 million at June 30, 2010. As a result, the University's net assets increased by $70.4 million, reaching a year-end balance of $876.6 million.

The University's operating revenues totaled $377 million for the 2010-11 fiscal year, representing an 11 percent increase over the 2009-10 fiscal year due mainly to an increase in net student tuition and fees of $18.6 million, an increase in grant and contract revenues of $7.7 million and an increase in sales and services revenue of $11.9 million. Operating expenses totaled $695.7 million for the 2010-11 fiscal year, representing an increase of 11.3 percent over the 2009-10 fiscal year due mainly to an increase in compensation and employee benefits expense of $36.5 million, an increase in services and supplies expense of $13.1 million, and an increase in scholarships, fellowships, and waivers expense of $17.8 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 to the University in matters pertaining to the financing of the FIU football stadium and, subsequently, the managing and operating of the facility.

- ***FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.***

  The purpose of the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc., is to improve and support health education at FIU.

- ***FIU College of Medicine Self-Insurance Program***

  The purpose of the FIU Self-Insurance Program is to provide professional and general liability protection for the Florida International University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine's faculty, staff and resident physicians.

Based upon the application of the criteria for determining component units, the Self-Insurance Program is included within the University reporting entity as a blended component unit, and the Foundation, Research Foundation, Athletics Finance Corporation, and Academic Health Center Health Care Network Faculty Group Practice are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

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 at June 30
(In Millions)

	2011	2010
Assets		
Current Assets	$ 441.6	$ 396.6
Capital Assets, Net	757.0	720.2
Other Noncurrent Assets	28.2	39.9
Total Assets	1,226.8	1,156.7
Liabilities		
Current Liabilities	185.8	187.7
Noncurrent Liabilities	164.4	162.8
Total Liabilities	350.2	350.5
Net Assets		
Invested in Capital Assets, Net of Related Debt	633.2	588.2
Restricted	45.2	39.5
Unrestricted	198.2	178.5
Total Net Assets	$ 876.6	$ 806.2

The statement of net assets reflects the University's growth, primarily its continued physical expansion to meet student and faculty needs. Total assets increased by $70.1 million, or 6.1 percent, while total liabilities decreased by $0.3 million, or 0.1 percent. As a result, the net assets balance at June 30, 2011, had a favorable increase of $70.4 million to $876.6 million. This ending balance included $633.2 million invested in capital assets, net of related debt, $45.2 million in restricted funds, and $198.2 million in unrestricted funds, which increased $19.7 million.

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 2010-11 and 2009-10 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Millions)

	2010-11	2009-10
Operating Revenues	$ 377.0	$ 339.7
Operating Expenses	695.7	625.1
Operating Loss	(318.7)	(285.4)
Net Nonoperating Revenues	356.0	319.9
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	37.3	34.5
Other Revenues, Expenses, Gains, or Losses	33.1	48.7
Net Increase In Net Assets	70.4	83.2
Net Assets, Beginning of Year	806.2	701.4
Adjustments to Beginning Net Assets (1)		21.6
Net Assets, Beginning of Year, as Restated	806.2	723.0
Net Assets, End of Year	$ 876.6	$ 806.2

Note: (1) The 2009-10 prior period adjustment to recognize a change in reporting State University System Capital Improvement Trust Fund Revenue Bonds. It was determined that these bonds were not debt to the University.

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 2010-11 and 2009-10 fiscal years:

Operating Revenues
(In Millions)

	2010-11	2009-10
Net Tuition and Fees	$ 167.3	$ 148.7
Grants and Contracts	90.4	82.7
Sales and Services of Educational Departments	0.2	0.4
Sales and Services of Auxiliary Enterprises	109.2	97.1
Other	9.9	10.8
Total Operating Revenues	$ 377.0	$ 339.7

Operating revenues totaled $377 million for the 2010-11 fiscal year, representing an 11 percent increase over the 2009-10 fiscal year. This was due to an increase in net student tuition and fees of $18.6 million, an increase in grant and contract revenues of $7.7 million, an increase in sales and services revenues of $11.9 million, and a decrease in other revenues of $0.9 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 2010-11 and 2009-10 fiscal years:

Operating Expenses
(In Millions)

	2010-11	2009-10
Compensation and Employee Benefits	$ 413.2	$ 376.7
Services and Supplies	143.6	130.5
Utilities and Communications	14.7	13.7
Scholarships, Fellowships, and Waivers	85.2	67.4
Depreciation	38.8	36.7
Self-Insured Claims and Expenses	0.2	0.1
Total Operating Expenses	$ 695.7	$ 625.1

Operating expenses totaled $695.7 million for the 2010-11 fiscal year. This represents an 11.3 percent increase over the 2009-10 fiscal year and was primarily due to an increase in compensation and employee benefits of $36.5 million, an increase in services and supplies expense of $13.1 million, and an increase of $17.8 million in scholarships, fellowships and waivers.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital 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 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses)
(In Millions)

	2010-11	2009-10
State Noncapital Appropriations	$ 214.1	$ 203.1
Federal and State Student Financial Aid	109.9	82.4
State Appropriated American Recovery and Reinvestment Act Funds	14.5	15.1
Investment Income	23.9	24.3
Other Nonoperating Revenues	1.2	1.0
Loss on Disposal of Capital Assets		(0.2)
Interest on Capital Asset-Related Debt	(6.3)	(5.7)
Other Nonoperating Expenses	(1.3)	(0.1)
Net Nonoperating Revenues	$ 356.0	$ 319.9

Net nonoperating revenues increased by 11.3 percent from the prior year due mainly to an increase of $27.5 million in Federal and State Student financial aid and an increase of $11 million in State noncapital appropriations, the increases were partially offset by an increase of $1.2 million in other nonoperating expenses. The 2010-11 fiscal year is the second and final year the University will receive State appropriated American Recovery and Reinvestment income, which decreased $0.6 million from the 2009–10 fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Millions)

	2010-11	2009-10
State Capital Appropriations	$ 31.9	$ 45.8
Capital Grants, Contracts, Donations, and Fees	1.2	2.9
Total	$ 33.1	$ 48.7

Other revenues, expenses, gains, or losses totaled $33.1 million for the 2010-11 fiscal year. This represents a 32 percent decrease over the 2009-10 fiscal year and was primarily due to a $13.9 million decrease in State capital appropriations and a decrease of $1.7 million in capital grants, contracts, donations and fees.

THE STATEMENT OF CASH FLOWS

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

The following summarizes cash flows for the 2010-11 and 2009-10 fiscal years:

Condensed Statement of Cash Flows
(In Millions)

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	$ (281.2)	$ (238.4)
Noncapital Financing Activities	334.6	299.6
Capital and Related Financing Activities	(59.1)	(20.6)
Investing Activities	7.7	(49.2)
Net Increase (Decrease) in Cash and Cash Equivalents	2.0	(8.6)
Cash and Cash Equivalents, Beginning of Year	8.0	16.6
Cash and Cash Equivalents, End of Year	$ 10.0	$ 8.0

Major sources of funds came from State appropriations ($229.4 million), net student tuition and fees ($168.2 million), sales and services of auxiliary enterprises ($108.5 million), and grants and contracts ($95.3 million). Major uses of funds included payments made to and on behalf of employees ($406.4 million), payments to suppliers of goods and services ($163.3 million), payments to and on behalf of students for scholarships and fellowships ($85.2 million), and purchase or construction of capital assets ($76 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the University had $1.2 billion in capital assets, less accumulated depreciation of $420.8 million, for net capital assets of $757 million. Depreciation charges for the current fiscal year totaled $38.8 million. During the 2010-11 fiscal year approximately $63.5 million was capitalized with the completion of the Social Science & International Studies Building and Parking Garage V.

The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Millions)

	2011	2010
Land	$ 31.0	$ 31.0
Works of Art and Historical Treasures	4.3	4.1
Construction in Progress	80.6	94.5
Buildings	534.0	486.4
Infrastructure and Other Improvements	2.0	2.3
Furniture and Equipment	47.5	44.6
Library Resources	56.1	55.3
Computer Software	0.9	0.8
Property Under Capital Leases	0.6	1.2
Capital Assets, Net	$ 757.0	$ 720.2

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, 2011, included $2.6 million incurred on the University's Science Classroom Complex. The University's capital construction commitments at June 30, 2011, are as follows:

	Amount (In Millions)
Total Committed	$ 226.7
Completed to Date	(80.6)
Balance Committed	$ 146.1

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

DEBT ADMINISTRATION

As of June 30, 2011, the University had $125.1 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of $7 million, or 5.3 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)

	2011	2010
Capital Improvement Debt Payable	$ 124.3	$ 130.7
Capital Leases Payable	0.8	1.4
Total	$ 125.1	$ 132.1

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Florida's difficult economic situation is an important factor affecting State appropriations to higher education. For the 2011-12 fiscal year, State noncapital appropriations to FIU decreased by $19.2 million. This decline in State noncapital appropriations is offset by tuition increases approved by the Legislature and the Florida Board of Governors. The Legislature approved an 8 percent Statewide tuition increase for undergraduate students and a tuition differential that allowed the University to increase undergraduate tuition up to 15 percent.

The FIU College of Medicine (COM) admitted its third class in August 2011. The COM receives line-item appropriations from the Florida Legislature. For the 2011-12 fiscal year, general revenue State noncapital appropriations to the COM increased by $1.1 million to $26.3 million. The 2011-12 fiscal year COM budget is aligned with the implementation plan approved by the Board of Governors in July 2007.

FIU will continue to implement its long-range strategic plan for the 2011-12 fiscal year, which incorporates a reduction strategy that minimizes impact on critical operations and strategic areas while increasing funding for the priority areas in accordance with the strategic plan.

The global and national economic situation and the overall State agenda will continue to influence appropriations to higher education. The main factors affecting FIU in the future are its ability to carry out the cost reduction strategies, finding alternate revenue sources through existing and new ventures, and attracting external monetary support, while remaining intently focused on its mission and goals. FIU continues to stay abreast of all actions and potential changes that could have an effect on how its resources are attained and allocated.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information, or requests for additional financial information should be addressed to the Chief Financial Officer and Senior Vice President for Finance and Administration, Dr. Kenneth Jessell, 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
June 30, 2011

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 9,152,406	$ 26,404,620
Investments	259,362,302	154,975,957
Accounts Receivable, Net	30,047,603	42,880,052
Loans and Notes Receivable, Net	1,498,322	
Due from State	139,991,825	
Due from Component Units/University	754,105	289,306
Inventories	397,956	
Other Current Assets	368,839	2,232,132
Total Current Assets	441,573,358	226,782,067
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	882,683	3,015,581
Restricted Investments	20,940,280	3,020,941
Loans and Notes Receivable, Net	1,926,980	
Depreciable Capital Assets, Net	641,190,152	12,571,424
Nondepreciable Capital Assets	115,829,310	2,500
Due from Component Units/ University	3,262,773	
Other Noncurrent Assets	1,207,992	28,574,986
Total Noncurrent Assets	785,240,170	47,185,432
TOTAL ASSETS	$ 1,226,813,528	$ 273,967,499
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 8,880,527	$ 1,061,495
Construction Contracts Payable	4,868,074	
Salaries and Wages Payable	7,045,848	
Deposits Payable	10,398,579	
Due to State	278,409	
Due to Component Units/University	289,306	754,105
Deferred Revenue	144,341,854	1,281,264
Other Current Liabilities		208,570
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	6,701,454	
Bonds Payable		618,074
Notes Payable		605,000
Capital Leases Payable	572,552	
Compensated Absences Payable	2,412,378	
Liability for Self-Insured Claims	24,377	
Total Current Liabilities	185,813,358	4,528,508

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	$ 117,541,052	$
Bonds Payable		32,994,869
Notes Payable		8,180,000
Capital Leases Payable	252,314	
Compensated Absences Payable	31,757,280	
Due to Component Units/University		3,262,773
Other Postemployment Benefits Payable	12,082,000	
Liability for Self-Insured Claims	219,389	
Other Long-Term Liabilities	2,572,065	6,254,604
Total Noncurrent Liabilities	164,424,100	50,692,246
TOTAL LIABILITIES	350,237,458	55,220,754
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	633,219,533	
Restricted for Nonexpendable:		
Endowment		163,519,710
Restricted for Expendable:		
Debt Service	2,891,138	
Loans	288,111	
Capital Projects	11,455,629	
Other	30,580,555	34,874,337
Unrestricted	198,141,104	20,352,698
TOTAL NET ASSETS	876,576,070	218,746,745
TOTAL LIABILITIES AND NET ASSETS	$ 1,226,813,528	$ 273,967,499

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, 2011

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $86,467,552	$ 167,312,056	$
Federal Grants and Contracts	69,041,615	
State and Local Grants and Contracts	11,927,180	
Nongovernmental Grants and Contracts	9,487,924	
Sales and Services of Educational Departments	164,553	
Sales and Services of Auxiliary Enterprises	109,162,112	
Sales and Services of Component Units		1,369,739
Gifts and Donations		25,831,519
Interest on Loans and Notes Receivable	54,872	
Other Operating Revenues	9,820,519	6,835,414
Total Operating Revenues	376,970,831	34,036,672
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	413,154,397	
Services and Supplies	143,607,162	259,234
Utilities and Communications	14,722,460	114,701
Scholarships, Fellowships, and Waivers	85,218,314	
Depreciation	38,770,678	890
Other Operating Expenses		14,573,343
Self-Insured Claims and Expenses	182,510	
Total Operating Expenses	695,655,521	14,948,168
Operating Income (Loss)	(318,684,690)	19,088,504
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	214,081,170	
Federal and State Student Financial Aid	109,870,907	
State Appropriated American Recovery and Reinvestment Act Funds	14,494,913	
Investment Income	23,870,622	26,638,632
Other Nonoperating Revenues	1,225,100	
Gain on Disposal of Capital Assets	15,831	
Interest on Capital Asset-Related Debt	(6,316,383)	(1,423,612)
Other Nonoperating Expenses	(1,209,677)	(44,953)
Net Nonoperating Revenues	356,032,483	25,170,067
Income Before Other Revenues, Expenses, Gains, or Losses	37,347,793	44,258,571
State Capital Appropriations	31,841,501	
Capital Grants, Contracts, Donations, and Fees	1,176,090	
Increase in Net Assets	70,365,384	44,258,571
Net Assets, Beginning of Year	806,210,686	174,488,174
Net Assets, End of Year	$ 876,576,070	$ 218,746,745

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, 2011

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 168,153,752
Grants and Contracts	95,295,185
Sales and Services of Educational Departments	164,553
Sales and Services of Auxiliary Enterprises	108,547,685
Interest on Loans and Notes Receivable	415,191
Payments to Employees	(406,352,854)
Payments to Suppliers for Goods and Services	(163,251,745)
Payments to Students for Scholarships and Fellowships	(85,218,314)
Payments on Self-Insured Claims and Expenses	(14,003)
Loans Issued to Students	(8,583,647)
Collection on Loans to Students	7,652,188
Other Operating Receipts	2,014,709
Net Cash Used by Operating Activities	(281,177,300)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	217,996,651
State Appropriated American Recovery and Reinvestment Act Funds	11,412,617
Direct Loan Program Receipts	210,688,751
Direct Loan Program Disbursements	(212,219,834)
Federal and State Student Financial Aid	109,791,998
Operating Subsidies and Transfers	291,759
Net Change in Funds Held for Others	(2,053,089)
Other Nonoperating Disbursements	(1,295,373)
Net Cash Provided by Noncapital Financing Activities	334,613,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	28,602,814
Capital Grants, Contracts, Donations, and Fees	687,910
Capital Subsidies and Transfers	12,364
Proceeds from Sale of Capital Assets	18,439
Other Receipts for Capital Projects	1,221,959
Purchase or Construction of Capital Assets	(76,035,190)
Principal Paid on Capital Debt and Leases	(7,072,954)
Interest Paid on Capital Debt and Leases	(6,526,340)
Net Cash Used by Capital and Related Financing Activities	(59,090,998)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,309,628,723
Purchase of Investments	(1,318,030,397)
Investment Income	16,090,630
Net Cash Provided by Investing Activities	7,688,956
Net Increase in Cash and Cash Equivalents	2,034,138
Cash and Cash Equivalents, Beginning of Year	8,000,951
Cash and Cash Equivalents, End of Year	$ 10,035,089

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (318,684,690)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	38,770,678
Change in Assets and Liabilities:	
Receivables, Net	(4,203,748)
Inventories	(8,911)
Other Assets	(144,159)
Accounts Payable	(5,281,900)
Salaries and Wages Payable	(2,156,166)
Deposits Payable	1,241,878
Compensated Absences Payable	5,115,706
Deferred Revenue	163,505
Liability for Self-Insurance	168,507
Other Postemployment Benefits Payable	3,842,000
NET CASH USED BY OPERATING ACTIVITIES	$ (281,177,300)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 8,946,667
Gains from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 15,831

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, 2011

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 thirteen 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 Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

Blended Component Unit. Based on the application of the criteria for determining component units, the Florida International University College of Medicine Self-Insurance Program (the Program) is included within the University reporting entity as a blended component unit. The Program was created on June 18, 2009, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes and provides professional and general liability protection for faculty, medical residents, and students of the College of Medicine.

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 9.011) are included with in 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, 2011**

- 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.
- FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. – Improves and supports health education at FIU. On August 9, 2011, the organization changed its name from Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc., to FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University's 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 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
- Other Required Supplementary Information

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, losses,

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 recognized when 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., the FIU Athletics Finance Corporation and the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. 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 applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entitles That Use Proprietary Fund Accounting*, the University has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

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

The statement of net 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 third-party aid.

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

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

Concentration of Credit Risk – Component Units. Financial instruments that potentially subject the Florida International University Foundation, Inc. (Foundation), to concentration of credit risk consist principally of cash in banks. The Foundation places substantially all of its cash with high quality financial institutions which the Foundation believes limits this risk. At June 30, 2011, the Foundation did not exceed these limits. Cash and cash equivalents held with the Foundation's brokerage account at Merryll Lynch are insured by the Securities Investor Protector Corp (SIPC). The balance of this account was $409,385 as of June 30, 2011.

Financial instruments that potentially subject the FIU Athletics Finance Corporation (Finance Corporation), to concentration of credit risk consist principally of cash in banks and investments.

In addition to insurance provided by the Federal Depository Insurance Corporation, the Foundation, the Finance Corporation, and the Florida International University Research Foundation, Inc., deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer, or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits, with the exception noted in the preceding paragraph, are insured or collateralized with securities held by the entity or its agent in the entity's name.

The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by SIPC, subject to various limitations. At June 30, 2011, $152,352,145 was held in these accounts. The Foundation believes that the number, diversity, and financial strength of the issuers mitigates the credit risks associated with all investments.

The Finance Corporation maintains investment accounts with financial institutions that are not insured by FDIC. Fund shares are not guaranteed by the United States government. Current and future portfolio holdings are subject to risk. At June 30, 2011, $5,644,753 was held in these accounts. The Finance Corporation believes that the number, diversity, and financial strength of the issuers mitigate the credit risks associated with all investments.

The Research Foundation's blended component unit, iWASH Initative Limited, maintains a deposit balance in Tanzania, Africa, to manage the University's operations to the Tanzania Integrated Water, Sanitation and

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Hygiene (iWASH) Program under a United States Agency for International Development grant. The balance in this account of $33,433 as of June 30, 2011, is not FDIC insured and is subject to foreign currency risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

Capital Assets. University capital assets consist of land; works of art and historical treasures; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; computer software; and property under capital leases. 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 $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 $2,905,730. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Depreciable assets of the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc., are stated at cost and are net of accumulated depreciation of $1,780. Depreciation is provided using the straight-line method over the estimated useful lives of 5 years for the assets.

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, capital leases payable, liability for self-insured claims, compensated absences payable, other postemployment benefits payable, and other long-term liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt 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 costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

2. 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. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; 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, 2011, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 40,527,490
State Board of Administration Fund B Surplus Funds Trust Fund	10,699
State Board of Administration Debt Service Accounts	2,875,625
Mutual Funds:	
Limited Partnerships	31,054,635
Equities	61,564,793
Fixed Income and Bond Mutual Funds	109,933,757
Commodities	9,260,900
Money Market Funds	25,074,683
Total University Investments	$ 280,302,582

External Investment Pools

State Treasury Special Purpose Investment Account

The University reported investments at fair value totaling $40,527,490 at June 30, 2011, 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 Af by Standard & Poor's and had an effective duration of 2.13 years at June 30, 2011. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State

Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). 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 Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2011, the University reported investments at fair value of $10,699 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 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling $2,875,625 at June 30, 2011, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

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:

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- *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, 2011, are as follows:

University Debt Investment Maturities

Type of Investment	Investment Maturities (In Years)				
	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund	$ 55,641,292	$ 7,144,342	$ 22,874,135	$ 13,765,656	$ 11,857,159
TIPS Index Fund	32,502,521	27,918	12,069,521	10,628,324	9,776,758
High Yield Bond Mutual Fund	21,789,944	6,658,300	14,549,909	544,696	37,039
Total	$ 109,933,757	$ 13,830,560	$ 49,493,565	$ 24,938,676	$ 21,670,956

- *Credit Risk*: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2011, the securities held in the fixed income and bond mutual funds had credit quality ratings by a nationally-recognized rating agency (i.e., Standard & Poor's or Moody's), as follows:

University Debt Investment Credit Quality Ratings

Type of Investment	Fair Value	AAA / Aaa	AA / Aa	A	BBB / Baa to Not Rated
Fixed Income Mutual Fund	$ 55,641,292	$35,905,325	$ 2,387,011	$ 5,614,206	$11,734,750
TIPS Index Fund	32,502,521	32,497,355			5,166
High Yield Bond Mutual Fund	21,789,944	1,045,917		43,580	20,700,447
Total	$ 109,933,757	$ 69,448,597	$ 2,387,011	$ 5,657,786	$ 32,440,363

- *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.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Component Units Investments

The Florida International University Foundation, Inc., investments at June 30, 2011, are reported at fair value as follows:

Investment Type	Amount
Domestic Common Stocks and Equity Funds	$ 59,001,957
Fixed Income Securities and Funds	28,853,367
Interest in Private Equity Partnerships and Limited Liability Companies	37,019,161
International Equity Securities	27,195,207
Total	152,069,692
Plus: Accrued Income	282,453
Total	$ 152,352,145

Note: See note 1 for disclosures regarding concentration of credit risk.

The FIU Athletics Finance Corporation investments are made in accordance with a trust indenture. The investments at June 30, 2011, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Board of Administration Fund B Surplus Fund Trust Fund	$ 673,827
Money Market Funds	4,970,926
Total	$ 5,644,753

Note: See note 1 for disclosures regarding concentration of credit risk.

At June 30, 2011, the FIU Athletics Finance Corporation (Finance Corporation) reported investments at fair value totaling $673,827 in the Fund B Surplus Funds Trust Fund (Fund B). Fund B is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes. Disclosures regarding external investment pools are presented on pages 21 and 22.

At June 30, 2011, the Finance Corporation reported investments at fair value totaling $4,970,926 in a money market mutual fund, which invests in United States treasury and government securities. The fund maintains a weighted average maturity of 44 days and is rated AAAm by Standard & Poor's, Aaa by Moody's, and AAA by Fitch. 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.

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

3. 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, 2011, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	20,920,099
Contracts and Grants	$ 8,613,295
Other	514,209
Total Accounts Receivable, Net	$ 9,127,504

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Student tuition and fees receivable, contracts and grants receivable, other receivable, and loans and notes receivable, are reported net of allowances of $17,612,013, $2,457,046, $411,680 and $1,250,825, respectively, at June 30, 2011.

4. DUE FROM STATE

This amount includes $131,798,868 of Public Education Capital Outlay funds and $4,700,000 of Capital Improvement Fee Trust Fund funds due from the State to the University for the construction of University facilities. The amount also includes $3,492,957 of American Recovery and Reinvestment Act funds due from the State.

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

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 30,989,550	$	$	$ 30,989,550
Works of Art and Historical Treasures	4,145,199	137,795	2,500	4,280,494
Construction in Progress	94,502,187	52,208,392	66,151,313	80,559,266
Total Nondepreciable Capital Assets	$ 129,636,936	$ 52,346,187	$ 66,153,813	$ 115,829,310
Depreciable Capital Assets:				
Buildings	$ 677,756,556	$ 66,151,313	$	$ 743,907,869
Infrastructure and Other Improvements	14,676,851			14,676,851
Furniture and Equipment	168,279,431	17,645,393	5,138,094	180,786,730
Library Resources	110,201,098	6,739,212		116,940,310
Computer Software	2,262,071	512,593	23,008	2,751,656
Property Under Capital Leases	4,472,101	243,364	1,775,343	2,940,122
Total Depreciable Capital Assets	977,648,108	91,291,875	6,936,445	1,062,003,538
Less, Accumulated Depreciation:				
Buildings	191,353,882	18,506,424		209,860,306
Infrastructure and Other Improvements	12,397,113	306,179		12,703,292
Furniture and Equipment	123,660,048	12,976,357	3,407,500	133,228,905
Library Resources	54,934,432	5,885,635		60,820,067
Computer Software	1,500,323	333,021		1,833,344
Property Under Capital Leases	3,257,719	763,062	1,653,309	2,367,472
Total Accumulated Depreciation	387,103,517	38,770,678	5,060,809	420,813,386
Total Depreciable Capital Assets, Net	$ 590,544,591	$ 52,521,197	$ 1,875,636	$ 641,190,152

7. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Capital Improvement Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2011, 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, student housing fees, athletic revenues, and student trust fund fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2011, the University reported the following amounts as deferred revenue:

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Description	Amount
State Capital Appropriations	$ 112,366,640
Stadium Rental Income	26,781,259
Contracts and Grants	3,921,277
Student Housing Fees	833,072
Student Trust Fund Fees	438,890
Athletic Revenues	716
Total Deferred Revenue	$ 144,341,854

8. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2011, include capital improvement debt payable, capital leases payable, liability for self-insured claims, compensated absences payable, other postemployment benefits payable, and other long-term liabilities. Other long-term liabilities consist of the liability for the Federal Capital Construction (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$130,671,029	$	$ 6,428,523	$124,242,506	$6,701,454
Capital Leases Payable	1,439,457	243,363	857,954	824,866	572,552
Liability for Self-Insured Claims	75,259	182,510	14,003	243,766	24,377
Compensated Absences Payable	29,053,952	6,530,843	1,415,137	34,169,658	2,412,378
Other Postemployment Benefits Payable	8,240,000	5,222,000	1,380,000	12,082,000	
Other Long-Term Liabilities	2,694,346		122,281	2,572,065	
Total Long-Term Liabilities	$172,174,043	$12,178,716	$ 10,217,898	$174,134,861	$9,710,761

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Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2011:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
1998 Student Apartments	$ 26,525,000	$ 19,872,789	4.40 - 5.00	2028
2000 Student Apartments	14,605,000	10,615,018	4.875 - 5.75	2025
2004A Student Apartments	53,915,000	41,170,531	4.00 - 5.00	2034
Total Student Housing Debt	95,045,000	71,658,338		
Parking Garage Debt:				
1995 Parking Garage	7,780,000	2,765,550	5.30 - 5.375	2016
1999 Parking Garage	7,530,000	3,991,047	5.20 - 5.625	2019
2002 Parking Garage	22,915,000	14,840,408	3.40 - 4.60	2022
2009 Parking Garage A&B	32,000,000	30,987,163	2.00 - 6.875	2039
Total Parking Garage Debt	70,225,000	52,584,168		
Total Capital Improvement Debt	$ 165,270,000	$ 124,242,506		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and an assessed transportation fee per student to repay $165,270,000 in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing rental income, traffic and parking fees, and assessed transportation fees per student, payable through 2039. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, and transportation fees, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $199,323,250, and principal and interest paid for the current year totaled $12,702,478. During the 2010-11 fiscal year housing rental, traffic and parking fees, and assessed transportation fees totaled $25,983,956, $4,063,919, and $8,055,350, respectively.

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Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	$ 6,475,000	$ 6,220,675	$ 12,695,675
2013	6,765,000	5,938,299	12,703,299
2014	7,065,000	5,634,993	12,699,993
2015	7,400,000	5,311,226	12,711,226
2016	7,740,000	4,959,440	12,699,440
2017-2021	28,025,000	20,343,627	48,368,627
2022-2026	24,215,000	13,778,452	37,993,452
2027-2031	17,715,000	8,350,988	26,065,988
2032-2036	13,470,000	3,927,331	17,397,331
2037-2039	5,255,000	733,219	5,988,219
Subtotal	124,125,000	75,198,250	199,323,250
Plus: Net Discounts and Premiums on Refundings	117,506		117,506
Total	$ 124,242,506	$ 75,198,250	$ 199,440,756

Capital Leases Payable. Food service equipment and vehicles in the amount of $2,940,122 are being acquired under capital lease agreements. The stated interest rates range from 3.45 to 11.60 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Amount
2012	$ 602,990
2013	162,434
2014	54,017
2015	54,017
2016	6
Total Minimum Payments	873,464
Less, Amount Representing Interest	(48,598)
Present Value of Minimum Payments	$ 824,866

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $34,169,658.

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 392 retirees received postemployment healthcare benefits. The University provided required contributions of $1,380,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $2,302,000.

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 parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	$ 2,675,000
Amortization of Unfunded Actuarial Accrued Liability	2,293,000
Interest on Normal Cost and Amortization	199,000
Annual Required Contribution	5,167,000
Interest on Net OPEB Obligation	330,000
Adjustment to Annual Required Contribution	(275,000)
Annual OPEB Cost (Expense)	5,222,000
Contribution Toward the OPEB Cost	(1,380,000)
Increase in Net OPEB Obligation	3,842,000
Net OPEB Obligation, Beginning of Year	8,240,000
Net OPEB Obligation, End of Year	$ 12,082,000

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, 2011, and for the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$ 3,216,000	43.9%	$ 4,077,000
2009-10	5,521,000	24.6%	8,240,000
2010-11	5,222,000	26.4%	12,082,000

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $72,099,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $72,099,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $267,241,000 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.8 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the University's 2010-11 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Healthcare cost trend rates were 9.02, 9.47, and 9.62 percent for the current and two subsequent years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 7.11, 10.5, and 10.5 percent for the current and two subsequent years, respectively, for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.6 percent in the fourth year grading identically to 5.1 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 26 years.

9. COMPONENT UNIT DEBT ISSUES

Notes Payable – Florida International University Foundation, Inc.

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued $13 million 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 bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see note 14). The $13 million original 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, $6.5 million, 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 10). The bond proceeds are being used to acquire, construct, and equip a multi-function support complex located on the Modesto A. Maidique campus and to pay issuance costs. As of June 30, 2011, the outstanding principal balance due under this note payable was $8.785 million. For the year ended June 30, 2011, total interest incurred and paid was $389,890.

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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 million 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. There were two additional extensions subsequent to that date through July 30, 2010. The Foundation must pay an annual commitment fee of 0.45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

Due to significant stress in the bank market the bonds were repurchased by the Trustee under the Sun Trust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five-year tax exempt qualified loan. After the initial five-year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five-year period. The Foundation agrees to pay interest at a rate of 67 percent of one month London Interbank Offered Rate (LIBOR) plus 1.68 percent. The bond maturity date of May 1, 2022, remains unchanged as does the swap agreement. The Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments.

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

The aggregate maturities of the notes payable, as of June 30, 2011, are shown in the following table:

Fiscal Year Ending June 30	Amount
2012	$ 605,000
2013	640,000
2014	670,000
2015	705,000
2016	745,000
Thereafter	5,420,000
Total	$ 8,785,000

Notes Payable – Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (FIU HCN)

On June 1, 2009, the FIU HCN entered into a loan agreement totaling $100,000 with the University in order to fund start up costs associated with the operations. This agreement was amended on January 25, 2010, reducing the total principal payment due to $51,100. Interest on the loan accrues at 3.25 percent and the loan is scheduled to mature on May 31, 2013.

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On August 27, 2010, the FIU HCN entered into a loan agreement totaling $5,321,198 with the University in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other University clinical activities. Interest on the loan accrues at 2 percent simple interest and the loan is scheduled to mature on June 1, 2030. Draw downs on the loan as of June 30, 2011, totaled $234,985, of which $163,000 represented noncash operating expenses paid by the University on behalf of the FIU HCN. The loan also includes $114 of accrued interest as of June 30, 2011. Payments on the loan are scheduled to begin on June 1, 2015, at which time draw downs on the loan will be completed and a final amortization schedule will be available.

Estimated principal and interest payments for the life of the amounts due to the University based on the balances as of June 30, 2011, are due as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	$ 27,583	$ 1,770	$ 29,353
2013	27,674	899	28,573
2014			
2015		4,700	4,700
2016		4,700	4,700
2017-2021	235,099	9,400	244,499
Total	$ 290,356	$ 21,469	$ 311,825

The University has entered into an agreement with a contractor to complete the facility, with a contracted amount of approximately $1.3 million. Expenditures under this contract will be disbursed by the University in future periods and subsequently allocated to the FIU HCN as part of the above-noted loan agreement.

Bonds Payable – FIU Athletics Finance Corporation

On December 1, 2009, the FIU Athletics Finance Corporation issued $30,000,000 of Miami-Dade County Industrial Development Authority Revenue Bonds Series 2009A and $5,310,000 of Miami-Dade County Industrial Development Authority Taxable Revenue Bonds Series 2009B.

These bonds were issued and secured under and pursuant to a trust indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and nonoperating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7 percent of three-month LIBOR plus 1.90 percent. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65 percent. The total proceeds from the new bond issue were used solely to retire and refund outstanding Series 2007A and B bonds and pay issuance costs of the bonds and other refinancing costs. The bonds are secured by operating and nonoperating revenues as well as University athletic fees, not to exceed 5 percent of the total athletic fees collected. Total principal due at June 30, 2011, was $34,003,984.

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The FIU Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund currently totals $3,020,941 and is presented as restricted investments.

The FIU Athletics Finance Corporation is required to maintain minimum deposits of $3,000,000 with Regions Bank. The deposit is to be held in an interest-bearing additional reserve fund and is presented as restricted cash.

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see note 10) that was entered into to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

The aggregate maturities of these bonds as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	$ 618,074	$ 1,567,747	$ 2,185,821
2013	636,987	1,627,027	2,264,014
2014	656,479	1,677,592	2,334,071
2015	676,567	1,719,051	2,395,618
2016	697,270	1,684,647	2,381,917
2017-2021	6,654,321	7,587,967	14,242,288
2022-2026	8,507,143	5,593,976	14,101,119
2027-2031	10,607,143	3,092,065	13,699,208
2033-2033	4,950,000	402,395	5,352,395
Subtotal	34,003,984	24,952,467	58,956,451
Less, Amount Deferred on Refunding	(391,041)		(391,041)
Total	$ 33,612,943	$ 24,952,467	$ 58,565,410

10. DERIVATIVE 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 $6.5 million, which represents 50 percent of the principal amount of the bond issue, as described in note 9. Under the original swap agreement, the Foundation agreed to pay

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a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month United States 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. The derivative liability at June 30, 2011, was $536,947.

FIU Athletics Finance Corporation (Finance Corporation)

Objectives. As a means to lower its borrowing costs and increase its savings, the Organization entered into an interest rate swap agreement in connection with its $30 million 2009A Miami-Dade County Industrial Development Authority Revenue Bond issuance. The intention of the swap agreement was to effectively change the Organization's variable interest rate on the bonds to a synthetic fixed rate of 3.60 percent.

Terms. On December 22, 2009, Athletics Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on $21 million of the principal amount of the 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned in note 9 above. Under the swap agreement, the Athletics Finance Corporation agrees to pay a fixed rate of 3.60 percent and receive a variable rate equal to 63.7 percent of three-month LIBOR. The swap agreement has a maturity date of March 1, 2033.

Fair Value. As of June 30, 2011, the FIU Athletics Finance Corporation swap has a derivative liability of $3,274,250 as reported in the statement of net assets. The negative fair value was determined using a Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2011, the fair value of the Series 2007A ineffective interest rate swap was $2,106,379. This interest rate swap was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009 bonds reflects a higher rate due to not terminating this interest rate swap. Accordingly, the fair value of $2,106,378 of the ineffective Series 2007A interest rate swap is being amortized over the remaining life of the refunded Series 2009A bond.

The dollar offset method evaluates the effectiveness by quantitative approach. The dollar offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. The Organization determined that it met the criteria of the dollar offset method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statement of net assets as a deferred outflow of resources in the amount of $1,167,871.

Credit Risks. As of June 30, 2011, the FIU Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Regions Bank) was rated Ba2 by Moody's Investors Service, BBB- by Standard & Poor's and BBB- by Fitch Ratings.

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Basis Risk. Basis risk arises when different indexes are used in connection with a derivative. Given that both the bond and the interest rate swap are based on 63.7 percent of the three-month LIBOR rate, there is limited basis risk.

Termination Risk. The derivative contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an "additional termination event". That is, the swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the Athletics Finance Corporation for the purpose or with the effect of altering the net combined payment from a floating to fixed or a fixed to floating rate basis is repaid, whether upon acceleration of principal, at maturity, or otherwise, or for any other reason ceases to be an obligation of the Athletics Finance Corporation, with or without the consent of the counterparty (Regions Bank); or (ii) any credit support document expires, terminates or ceases to be of full force and effect. Also, the swap agreement may be terminated or assigned by Athletics Finance Corporation if the counterparty's (Regions Bank) long-term, senior, unsecured, unenhanced debt rating is withdrawn, suspended, or falls below at least two of the following: a) "Baa3" as determined by Moody's; or b) "BBB-" as determined by Standard & Poor's; or c) "BBB-" as determined by Fitch.

Swap Payments and Associated Debt. Using rates as of June 30, 2011, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

Fiscal Year Ending June 30	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2012	$	$ 399,714	$ 755,286	$ 1,155,000
2013		399,714	755,286	1,155,000
2014		399,714	755,286	1,155,000
2015		399,714	755,286	1,155,000
2016		399,714	755,286	1,155,000
2017-2021	4,155,000	1,871,710	3,536,715	9,563,425
2022-2026	5,955,000	1,386,533	2,619,942	9,961,475
2027-2031	7,425,000	766,404	1,448,171	9,639,575
2032-2033	3,465,000	99,738	188,462	3,753,200
Total	$ 21,000,000	$ 6,122,955	$ 11,569,720	$ 38,692,675

As rates vary, variable-rate bond interest payments and net swap payments will vary.

11. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system

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administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested 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. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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 2010-11 fiscal year were as follows: **Error! Hyperlink reference not valid.**

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class 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, 2009, June 30, 2010, and June 30, 2011, totaled $8,286,522, $8,493,631, and $9,998,061, respectively, which were equal to the required contributions for each fiscal year.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP 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 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, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 394 University participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled $1,814,087.

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 1,878 University participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled $15,784,583 and employee contributions totaled $5,675,212.

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12. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2011, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Science Classroom Complex	$ 56,163,409	$ 2,614,906	$ 53,548,503
Robert Stempel College of Public Health and Social Science	23,300,000	591,674	22,708,326
Student Academic Support Center	20,146,976	230,314	19,916,662
International Hurricane Center	15,000,000	470,320	14,529,680
FIU Ambulatory Care Center	10,015,500	15,519	9,999,981
Satellite Chiller Plant	7,110,000	127,439	6,982,561
US Century Bank Arena/Fitness Center Renovation	6,409,513	560,968	5,848,545
Subtotal	138,145,398	4,611,140	133,534,258
Projects with Balance Committed Under $3 Million	88,508,539	75,948,126	12,560,413
Total	$ 226,653,937	$ 80,559,266	$ 146,094,671

13. OPERATING LEASE COMMITMENTS

The University leased building space under operating leases, which expire in 2027. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2012	$ 1,341,927
2013	1,603,862
2014	1,120,605
2015	1,160,633
2016	1,200,660
2017-2027	9,294,126
Total Minimum Payments Required	$ 15,721,813

14. OPERATING LEASE COMMITMENTS – RELATED PARTY TRANSACTIONS

Florida International University Foundation, Inc. (Foundation)

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 Foundation. Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the Modesto A. Maidique 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.

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Total amounts paid to the Foundation under this agreement were $1,270,027 and $1,178,248 for the years ended June 30, 2011, and 2010, respectively.

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, 2011:

Fiscal Year Ending June 30	Amount
2012	$ 1,260,000
2013	1,260,000
2014	1,260,000
2015	1,260,000
2016	1,260,000
Thereafter	6,300,000
Total Minimum Payments Required	$ 12,600,000

Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc (FIU HCN)

The University and the FIU HCN entered into two distinct space leasing agreements during 2011. The first agreement dated July 27, 2009, whereby the FIU HCN will use the University Health Service Building to provide medical care to the faculty and staff of FIU. FIU HCN shall pay the University for rental of the premises in the sum of $15,284 per year. The term of this agreement was originally scheduled to expire on July 26, 2011, but was subsequently renewed for an additional period of one year. Rent expense related to this lease was $15,285 as of June 30, 2011.

The second agreement is effective beginning on February 10, 2011, for an initial term of ten years and will be for the Faculty Group Practice site at the PG 5 Market Station. For the period through June 30, 2011, the FIU HCN will be responsible for the rental of the premises at the initial monthly lease amount of $10,500. From July 1, 2011, until expiration or termination of this agreement, FIU HCN will pay for this lease $10,500 per month with step increases throughout the term of the lease. Rent expense related to this lease was $49,125 for the year ended June 30, 2011.

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Future minimum annual lease commitments are as follows:

Fiscal Year Ending June 30	Amount
2012	$ 154,000
2013	196,000
2014	196,000
2015	182,000
2016	182,000
2017-2021	839,000
Total Minimum Payments Required	$ 1,749,000

15. 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 through July 2011 and the Foundation is in the process of extending it another ten years through July 2021.

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 University's 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. 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, with the intention to effect a transfer of complete control of all of the assets, interest, and obligations of the

FLORIDA INTERNATIONAL UNIVERSITY
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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 activities within the University.

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, and to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of approximately $1.9 million during the 2010-11 fiscal year for Wolfsonian expenses which included salaries, equipment, administrative expenses, insurance premiums for the art collection, and building security. In addition, the University provided support of approximately $124,000 during the 2010-11 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

16. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2010-11 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $58.75 million for named windstorm and flood losses through February 14, 2011, and increased to $61 million starting February 15, 2011. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $100,000 per person, and $200,000 per occurrence as set by Section 768.28, 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 fiscal years.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

University Self-Insurance Program. The Florida International University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes, on June 18, 2009. The Self-Insurance Program provides professional and general liability protection for the Florida International University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and resident physicians. Liability protection is afforded to the students of the college. The Self-Insurance Program provides legislative claims bill protection.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides: $1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; $250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; $250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of $100,000 for a claim arising from an occurrence for any one person, $250,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed per occurrence limit of $1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2009-10 and 2010-11 fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2010	$	$ 83,688	$ (8,429)	$ 75,259
June 30, 2011	$ 75,259	$ 182,510	$ (14,003)	$ 243,766

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of 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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Functional Classification	Amount
Instruction	$ 195,112,708
Research	49,494,938
Public Service	5,715,423
Academic Support	93,744,784
Student Services	29,505,154
Institutional Support	72,762,595
Operation and Maintenance of Plant	59,298,955
Scholarships and Fellowships	85,233,242
Depreciation	38,770,678
Auxiliary Enterprises	65,996,274
Loan Operations	20,770
Total Operating Expenses	$ 695,655,521

18. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities 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

	Housing Facility	Parking Facility
Assets		
Current Assets	$ 20,960,373	$ 6,996,607
Capital Assets, Net	82,545,174	75,902,539
Other Noncurrent Assets	588,946	6,245,060
Total Assets	104,094,493	89,144,206
Liabilities		
Current Liabilities	4,954,361	5,499,487
Noncurrent Liabilities	67,868,517	50,034,310
Total Liabilities	72,822,878	55,533,797
Net Assets		
Invested in Capital Assets, Net of Related Debt	11,495,250	23,977,404
Restricted - Expendable	7,571	2,897,569
Unrestricted	19,768,794	6,735,436
Total Net Assets	$ 31,271,615	$ 33,610,409

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

	Housing Facility	Parking Facility
Operating Revenues	$ 25,983,956	$ 12,119,269
Depreciation Expense	(3,047,151)	(1,833,162)
Other Operating Expenses	(14,483,736)	(6,217,044)
Operating Income	8,453,069	4,069,063
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	125,907	78,675
Interest Expense	(3,301,956)	(2,976,402)
Other Nonoperating Expense	(27,041)	(32,410)
Net Nonoperating Expenses	(3,203,090)	(2,930,137)
Income Before Transfers and Other Revenues	5,249,979	1,138,926
Net Transfers	30,317	170,011
Capital Grants		642,310
Increase in Net Assets	5,280,296	1,951,247
Net Assets, Beginning of Year	27,661,519	31,659,162
Adjustment to Beginning Net Assets (1)	(1,670,200)	
Net Assets, Beginning of Year, as Restated	25,991,319	31,659,162
Net Assets, End of Year	$ 31,271,615	$ 33,610,409

Note: (1) Beginning net assets and cash are adjusted to correct previous amounts erroneously included in the carry forward.

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility
Net Cash Provided (Used) by:		
Operating Activities	$ 10,949,184	$ 3,901,289
Capital and Related Financing Activities	(7,554,109)	(15,958,405)
Investing Activities	(2,095,676)	10,994,129
Net Increase (Decrease) in Cash and Cash Equivalents	1,299,399	(1,062,987)
Cash and Cash Equivalents, Beginning of Year	2,864,665	1,415,048
Adjustment to Beginning Cash (1)	(1,670,200)	
Cash and Cash Equivalents, As Restated	1,194,465	1,415,048
Cash and Cash Equivalents, End of Year	$ 2,493,864	$ 352,061

Note: (1) Beginning net assets and cash are adjusted to correct previous amounts erroneously included in the carry forward.

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

The adjustment to beginning net assets shown in the condensed statements for University Housing reflects a correction to the cash and net assets carried forward from prior years. This cash balance was not in fact related to the segment, but was attributable to other university operations and had been erroneously included in the Housing segment.

19. COMPONENT UNITS

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

	Direct-Support Organizations				Total
	Florida International University Foundation, Inc.	Florida International University Research Foundation, Inc.	FIU Athletics Finance Corporation	FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.	
Condensed Statement of Net Assets					
Assets:					
Current Assets	$ 221,007,807	$ 213,146	$ 5,474,347	$ 86,767	$ 226,782,067
Capital Assets, Net	12,571,256			2,668	12,573,924
Other Noncurrent Assets	135,060		34,476,448		34,611,508
Total Assets	233,714,123	213,146	39,950,795	89,435	273,967,499
Liabilities:					
Current Liabilities	2,877,756	70,909	1,527,527	52,316	4,528,508
Noncurrent Liabilities	9,680,354		40,749,119	262,773	50,692,246
Total Liabilities	12,558,110	70,909	42,276,646	315,089	55,220,754
Net Assets:					
Restricted	198,394,047				198,394,047
Unrestricted	22,761,966	142,237	(2,325,851)	(225,654)	20,352,698
Total Net Assets	$ 221,156,013	$ 142,237	$ (2,325,851)	$ (225,654)	$ 218,746,745
Condensed Statement of Revenues, Expenses, and Changes in Net Assets					
Operating Revenues	$ 30,342,173	$ 83,500	$ 3,591,348	$ 19,651	$ 34,036,672
Operating Expenses	(12,534,778)	(18,239)	(2,135,027)	(260,124)	(14,948,168)
Operating Income (Loss)	17,807,395	65,261	1,456,321	(240,473)	19,088,504
Net Nonoperating Revenues (Expenses)	26,374,436	(41,580)	(1,160,960)	(1,829)	25,170,067
Increase (Decrease) in Net Assets	44,181,831	23,681	295,361	(242,302)	44,258,571
Net Assets, Beginning of Year	176,974,182	118,556	(2,621,212)	16,648	174,488,174
Net Assets, End of Year	$ 221,156,013	$ 142,237	$ (2,325,851)	$ (225,654)	$ 218,746,745

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JUNE 30, 2011

20. SUBSEQUENT EVENTS

On December 21, 2011, the University received a $23,763,522 distribution from the sale of Florida International University Dormitory Revenue Refunding Bonds, Series 2011A, with a par value of $22,210,000. The proceeds from this debt will be used to refund all or a portion of the outstanding State of Florida, Board of Regents, Florida International University Housing Facility Revenue Bonds, Series 1998 and 2000 and to pay issuance costs.

FLORIDA INTERNATIONAL UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b) (1)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 48,762,000	$ 48,762,000	0%	$ 223,494,966	21.8%
7/1/2009	$	$ 72,099,000	$ 72,099,000	0%	$ 239,560,000	30.1%

Note: (1) The actuarial cost method used by the institution is the entry-age cost actuarial method.

FLORIDA INTERNATIONAL UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

The July 1, 2009, unfunded actuarial liability of $72,099,000 was significantly higher than the July 1, 2007, liability of $48,762,000 as a result of changes to demographic, trend, actuarial and coverage assumptions.

Changes in Demographic Assumptions

More eligible employees elected coverage than expected resulting in a considerable increase in the number of participants receiving healthcare benefits, accordingly the number employees and retirees used to compute the liability was increased.

Changes in Trend Assumptions

For the first two years the actuarial study used trends from the December 7, 2009, Financial Outlook for the State Employees' Group Health Self-Insurance Fund. For subsequent years the trend model has been changed to the Getzen trend model for retiree healthcare valuations. The Getzen trend model does not differentiate between pre-Medicare and post-Medicare medical trends and considers long-term healthcare trends relating what United States citizens will accept for healthcare as a percent of total gross domestic product output/consumption.

Changes in Actuarial Assumptions

Participants are living longer after retirement and receiving healthcare benefits for more years than assumed previously which increases healthcare costs. Reductions in healthcare costs resulted from retirement rates which were less than expected as participants are retiring at older ages and disability rates which were less than expected. The assumptions for these factors have been adjusted to be more in line with experience and to recognize general trends.

Changes in Coverage Assumptions

As a result of the change in demographic assumptions the number of participants that are expected to elect coverage at retirement has also been increased to reflect the revised expectations.

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Legislative Auditing Committee

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

We have 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, 2011, 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 purpose 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational audit report No. 2012-092.

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

David W. Martin, CPA
March 2, 2012