2010

Annual financial report for the fiscal year 2008-2009

Florida International University

REPORT NO. 2010-102
FEBRUARY 2010

FLORIDA INTERNATIONAL UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2009

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 2008-09 fiscal year are listed below:

Notes: (1) Faculty senate chair.
(2) Student body president.
(3) Position remained vacant from April 1, 2009, through June 17, 2009.

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

Audit Objectives and Scope

Our audit objectives were to determine whether Florida International University and its officers with administrative and stewardship responsibilities for University operations had:

- **Presented the University's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2009. 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, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2010-096.

Audit Methodology

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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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, 2009, which collectively comprise the University's basic financial statements as shown on pages 11 through 48. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, 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, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida International University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 49, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

David W. Martin, CPA
February 22, 2010

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, 2009, 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 $1.1 billion at June 30, 2009. This balance reflects a $51.9 million, or 5.1 percent, increase from the 2007-08 fiscal year, resulting primarily from an increase in net capital assets of $50.8 million. While assets grew, liabilities increased by $7.2 million, or 2 percent, totaling $373.7 million at June 30, 2009, compared to $366.5 million at June 30, 2008. As a result, the University's net assets increased by $44.7 million, reaching a year-end balance of $701.4 million.

The University's operating revenues totaled $305.7 million for the 2008-09 fiscal year, representing a 4.3 percent increase over the 2007-08 fiscal year due to an increase in net student tuition and fees of $11.2 million, a decrease in grant and contract revenues of $5.1 million, an increase in sales and services revenue of $3.7 million, and an increase in other revenues of $2.9 million. Operating expenses totaled $589.8 million for the 2008-09 fiscal year, representing an increase of 4.6 percent over the 2007-08 fiscal year due mainly to an increase in compensation and employee benefits expense of $7.1 million, an increase in services and supplies expense of $14 million, and an increase in scholarships, fellowships, and waivers expense of $5 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

- ***FIU Athletics Finance Corporation***

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

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

THE STATEMENT OF NET ASSETS

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

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

Condensed Statement of Net Assets at June 30
(In Millions)

	2009	2008
Assets		
Current Assets	$ 403.5	$ 398.0
Capital Assets, Net	657.0	606.2
Other Noncurrent Assets	14.6	19.0
Total Assets	1,075.1	1,023.2
Liabilities		
Current Liabilities	219.4	213.2
Noncurrent Liabilities	154.3	153.3
Total Liabilities	373.7	366.5
Net Assets		
Invested in Capital Assets, Net of Related Debt	534.6	476.1
Restricted	21.2	39.7
Unrestricted	145.6	140.9
Total Net Assets	$ 701.4	$ 656.7

The statement of net assets reflects the University's growth, primarily its continued physical expansion to meet student and faculty needs. Current assets mainly depict cash and investments, amounts due from the State to fund approved construction, and renovation projects and receivables from students, granting agencies, and others. The current assets increase is mainly a result of the amounts due from the State, used for construction related projects, growing by $17.8 million and offset by a $10.1 million decrease in cash and investments, not classified as restricted.

In summary, total assets increased by $51.9 million, or 5.1 percent, while total liabilities increased by $7.2 million, or 2.0 percent. As a result, the net assets balance at June 30, 2009, had a favorable increase of $44.7 million to

$701.4 million. This ending balance included $534.6 million invested in capital assets, net of related debt, $145.6 million in unrestricted funds, and $21.2 million in restricted funds.

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

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

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Operating Revenues	$ 305.7	$ 293.0
Operating Expenses	589.8	563.7
Operating Loss	(284.1)	(270.7)
Net Nonoperating Revenues	276.4	296.4
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7.7)	25.7
Other Revenues, Expenses, Gains, or Losses	52.4	26.8
Net Increase In Net Assets	44.7	52.5
Net Assets, Beginning of Year	656.7	604.2
Net Assets, End of Year	$ 701.4	$ 656.7

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 2008-09 and 2007-08 fiscal years:

Operating Revenues (In Millions)

	2008-09	2007-08
Net Tuition and Fees	$ 128.8	$ 117.6
Grants and Contracts	74.0	79.1
Sales and Services of Educational Departments	0.4	4.0
Sales and Services of Auxiliary Enterprises	88.5	81.2
Other	14.0	11.1
Total Operating Revenues	$ 305.7	$ 293.0

Operating revenues totaled $305.7 million for the 2008-09 fiscal year, representing a 4.3 percent increase over the 2007-08 fiscal year. This was due to an increase in net student tuition and fees of $11.2 million, a decrease in grant and contract revenues of $5.1 million, an increase in sales and services revenues of $3.7 million, and an increase in other revenues of $2.9 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 2008-09 and 2007-08 fiscal years:

Operating Expenses
(In Millions)

	2008-09	2007-08
Compensation and Employee Benefits	$ 360.4	$ 353.3
Services and Supplies	124.2	110.2
Utilities and Communications	15.4	15.7
Scholarships, Fellowships, and Waivers	53.7	48.7
Depreciation	36.1	35.8
Total Operating Expenses	$ 589.8	$ 563.7

Operating expenses totaled $589.8 million for the 2008-09 fiscal year. This represents a 4.6 percent increase over the 2007-08 fiscal year and was primarily due to an increase in compensation and employee benefits of $7.1 million, an increase in services and supplies expense of $14 million, and an increase of $5 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 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 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses)
(In Millions)

	2008-09	2007-08
State Appropriations	$ 227.1	$ 239.2
Federal and State Student Financial Aid	65.0	58.5
Investment Income (Loss)	(7.6)	6.2
Other Nonoperating Revenues	1.4	0.2
Loss on Disposal of Capital Assets	(0.2)	(0.9)
Interest on Capital Asset-Related Debt	(6.0)	(6.2)
Other Nonoperating Expenses	(3.3)	(0.6)
Net Nonoperating Revenues	$ 276.4	$ 296.4

Nonoperating revenues decreased by 6.7 percent from the prior year due mainly to decreases in State appropriations and investment income, which were offset by an increase to Federal and State student financial aid. State appropriations decreased by $12.1 million, investment income decreased by $13.8 million, and Federal and State Student Financial Aid increased by $6.5 million.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Capital Appropriations	$ 44.6	$ 21.2
Capital Grants, Contracts, Donations, and Fees	7.8	5.6
Total	$ 52.4	$ 26.8

Other revenues, expenses, gains, or losses totaled $52.4 million for the 2008-09 fiscal year. This represents a 95.5 percent increase over the 2007-08 fiscal year and was primarily due to a $23.4 million increase in Capital Appropriations resulting from funding for new construction projects and an increase in capital grants, contracts, donations, and fees of $2.2 million.

THE STATEMENT OF CASH FLOWS

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

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Cash Flows
(In Millions)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	$ (247.3)	$ (227.4)
Noncapital Financing Activities	281.8	297.5
Capital and Related Financing Activities	(40.8)	(31.9)
Investing Activities	22.6	(42.5)
Net Increase (Decrease) in Cash and Cash Equivalents	16.3	(4.3)
Cash and Cash Equivalents, Beginning of Year	0.3	4.6
Cash and Cash Equivalents, End of Year	$ 16.6	$ 0.3

Major sources of funds came from State appropriations ($227.1 million), net student tuition and fees ($130.2 million), sales and services of auxiliary enterprises ($87 million), and grants and contracts ($76.8 million). Major uses of funds included payments to employees ($364.2 million), payments to suppliers of goods and services ($133.6 million), purchase or construction of capital assets ($87.6 million), and payments to students for scholarships and fellowships ($53.7 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the University had $1,012.1 million in capital assets, less accumulated depreciation of $355.1 million, for net capital assets of $657 million. Depreciation charges for the current fiscal year totaled $36.1 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Millions)

	2009	2008
Land	$ 31.0	$ 28.4
Buildings	447.1	432.6
Construction in Progress	79.5	47.3
Infrastructure and Other Improvements	2.7	3.0
Furniture and Equipment	36.1	35.0
Library Resources	54.0	52.4
Property Under Capital Leases	2.1	3.6
Works of Art and Historical Treasures	3.8	3.4
Computer Software	0.7	0.5
Capital Assets, Net	$ 657.0	$ 606.2

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, 2009, were incurred on the following projects: the Nursing & Allied Health Molecular Biology Building ($24.3 million), the Football Field House and Coaches' Offices ($10.9 million), and the Wolfe University Center Addition ($1.8 million). The University's major capital commitments at June 30, 2009, are as follows:

	Amount (In Millions)
Total Commitment	$ 264.0
Completed to Date	(79.5)
Balance Committed	$ 184.5

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

DEBT ADMINISTRATION

As of June 30, 2009, the University had $128.7 million in outstanding bonds and capital leases, representing a decrease of $1.3 million, or 1 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)

	2009	2008
Bonds Payable	$ 126.2	$ 126.2
Capital Leases Payable	2.5	3.8
Total	$ 128.7	$ 130.0

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The primary factor that will impact the University in the future is the condition of the State of Florida's economy. FIU believes that the difficult economic situation of the State will continue to impact State appropriations to higher education. Recurring general revenue State appropriations to the University were reduced by $29.2 million for the 2009-10 fiscal year. This reduction was partially offset by $14.2 million received as nonrecurring appropriations from the Federal Stabilization Education Fund and Federal Stabilization Discretionary Fund, funds that were made available as a result of the American Recovery and Reinvestment Act of 2009. The Legislature also approved 8 percent Statewide tuition increases for undergraduate students and a tuition differential that allowed the University to increase undergraduate tuition up to 15 percent.

The decline in the recurring base appropriation has significantly impacted FIU's ability to continue business as usual. In the 2008-09 fiscal year, the University adjusted its long-range plan and requested that all academic and nonacademic operating units submit a three-year reduction strategy that minimized impact on critical operations and strategic areas. This plan was revised and updated in the 2009-10 fiscal year.

The FIU College of Medicine (COM) admitted its first class in August 2009. The COM receives line-item appropriations from the Florida Legislature. For the 2009-10 fiscal year, State appropriations to the COM increased by $9.9 million. With total general revenue State appropriations of $21.4 million and $0.9 million received from the Federal Stabilization Education Fund and Federal Stabilization Discretionary Fund, the 2009-10 fiscal year COM Budget is aligned with the implementation plan of $22.4 million approved by the Board of Governors in July 2007.

The state of the economy and the impact it will have on State appropriations to higher education, and the University's ability to implement the cost reduction strategies, and to attract external support or find alternate revenue sources, will be the main factors affecting the University in the future.

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, 2009

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 12,821,789	$ 5,473,219
Investments	185,172,504	11,142,397
Accounts Receivable, Net	24,856,821	54,528,395
Loans and Notes Receivable, Net	350,548	
Due from State	178,444,296	
Due from Component Units/University	1,272,272	2,302,675
Inventories	436,276	
Other Current Assets	184,988	1,718,201
Total Current Assets	403,539,494	75,164,887
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,827,015	4,957,929
Restricted Investments	4,271,372	96,661,076
Loans and Notes Receivable, Net	2,133,102	
Depreciable Capital Assets, Net	542,682,637	11,098,203
Nondepreciable Capital Assets	114,274,845	2,500
Due from Component Units/University	3,500,000	
Other Noncurrent Assets	883,324	26,931,786
Total Noncurrent Assets	671,572,295	139,651,494
TOTAL ASSETS	$ 1,075,111,789	$ 214,816,381
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 8,603,224	$ 209,852
Construction Contracts Payable	5,665,313	
Salaries and Wages Payable	7,665,222	
Deposits Payable	11,442,722	
Due to State	406,467	
Due to Component Units/University	2,302,675	1,272,272
Deferred Revenue	173,490,243	1,193,668
Other Current Liabilities		2,578,906
Long-Term Liabilities - Current Portion:		
Bonds Payable	6,950,275	730,000
Notes Payable		2,580,000
Capital Leases Payable	1,114,953	
Compensated Absences Payable	1,777,552	
Total Current Liabilities	219,418,646	8,564,698

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 119,237,187	$ 34,270,000
Notes Payable		9,225,000
Capital Leases Payable	1,439,457	
Compensated Absences Payable	26,721,897	
Due to Component Units/University		3,500,000
Postemployment Healthcare Benefits Payable	4,077,000	
Other Long-Term Liabilities	2,785,317	282,106
Total Noncurrent Liabilities	154,260,858	47,277,106
TOTAL LIABILITIES	373,679,504	55,841,804
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	534,581,255	
Restricted for Nonexpendable:		
Endowment		142,571,455
Restricted for Expendable:		
Debt Service	2,262	
Loans	269,609	
Capital Projects	1,059,972	
Other	19,872,230	4,128,312
Unrestricted	145,646,957	12,274,810
TOTAL NET ASSETS	701,432,285	158,974,577
TOTAL LIABILITIES AND NET ASSETS	$ 1,075,111,789	$ 214,816,381

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, 2009

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $51,968,138	$ 128,755,810	$
Federal Grants and Contracts	59,665,826	
State and Local Grants and Contracts	7,196,995	
Nongovernmental Grants and Contracts	7,136,274	
Sales and Services of Educational Departments	359,384	
Sales and Services of Auxiliary Enterprises	88,510,796	
Sales and Services of Component Units		1,236,386
Gifts and Donations		43,375,696
Interest on Loans and Notes Receivable	7,198	
Other Operating Revenues	14,109,163	4,661,770
Total Operating Revenues	305,741,446	49,273,852
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	360,426,504	
Services and Supplies	124,206,488	
Utilities and Communications	15,380,004	108,812
Scholarships, Fellowships, and Waivers	53,726,817	
Depreciation	36,087,764	
Other Operating Expenses		18,503,579
Total Operating Expenses	589,827,577	18,612,391
Operating Income (Loss)	(284,086,131)	30,661,461
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	227,082,151	
Federal and State Student Financial Aid	65,074,340	
Other Nonoperating Revenues	1,394,757	73,345
Investment Loss	(7,639,008)	(29,189,682)
Loss on Disposal of Capital Assets	(210,848)	
Interest on Capital Asset-Related Debt	(6,030,353)	(1,550,697)
Other Nonoperating Expenses	(3,285,758)	(4,552)
Net Nonoperating Revenues (Expenses)	276,385,281	(30,671,586)
Loss Before Other Revenues, Expenses, Gains, or Losses	(7,700,850)	(10,125)
Capital Appropriations	44,617,853	
Capital Grants, Contracts, Donations, and Fees	7,814,523	
Increase (Decrease) in Net Assets	44,731,526	(10,125)
Net Assets, Beginning of Year	656,700,759	158,984,702
Net Assets, End of Year	$ 701,432,285	$ 158,974,577

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, 2009

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 130,213,329
Grants and Contracts	76,838,170
Sales and Services of Educational Departments	359,384
Sales and Services of Auxiliary Enterprises	87,018,211
Other Operating Receipts	10,564,386
Interest on Loans and Notes Receivable	(322,266)
Payments to Employees	(364,235,646)
Payments to Suppliers for Goods and Services	(133,598,648)
Payments to Students for Scholarships and Fellowships	(53,726,817)
Net Loans Issued to Students	(395,094)
Net Cash Used by Operating Activities	(247,284,991)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	227,082,151
Federal and State Student Financial Aid	65,074,340
Operating Subsidies and Transfers	(4,444,338)
Net Change in Funds Held for Others	(1,537,790)
Other Nonoperating Disbursements	(4,380,584)
Net Cash Provided by Noncapital Financing Activities	281,793,779
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	6,579,580
Capital Appropriations	62,181,147
Capital Grants, Contracts, Donations, and Fees	4,579,687
Other Receipts for Capital Projects	1,273,056
Capital Subsidies and Transfers	(13,957,152)
Purchase or Construction of Capital Assets	(87,594,955)
Principal Paid on Capital Debt and Leases	(7,655,768)
Interest Paid on Capital Debt and Leases	(6,195,675)
Net Cash Used by Capital and Related Financing Activities	(40,790,080)
CASH FLOWS FROM INVESTING ACTIVITIES	
Change of Investments, Net	22,699,015
Investment Loss	(31,837)
Net Cash Provided by Investing Activities	22,667,178
Net Increase in Cash and Cash Equivalents	16,385,886
Cash and Cash Equivalents, Beginning of Year	262,918
Cash and Cash Equivalents, End of Year	$ 16,648,804

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STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (284,086,131)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	36,087,764
Change in Assets and Liabilities:	
Receivables, Net	444,063
Inventories	(39,167)
Other Assets	25,132
Accounts Payable	3,213,070
Salaries and Wages Payable	(5,849,817)
Deposits Payable	1,847,962
Compensated Absences Payable	80,674
Deferred Revenue	(3,753,858)
Other Liabilities	2,785,317
Postemployment Healthcare Benefits Payable	1,960,000
NET CASH USED BY OPERATING ACTIVITIES	$ (247,284,991)

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCIANG ACTIVITIES

The University received, as a donation, title to land valued at $2.6 million. Losses from the disposal of captial assets of $210,848 were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University'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 the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- 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, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

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

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

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, 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

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

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

Concentration of Credit Risk – Component Units

Financial instruments that potentially subject the Florida International University Foundation, Inc. (Foundation), to concentration of credit risk consist primarily of cash, investments, and contributions receivable (promises to give). The Foundation places substantially all of its cash with high quality financial institutions which the Foundation believes limits these risks. At June 30, 2009, $3,017,298 was in excess of the Federal Depository Insurance Corporation (FDIC) limits.

In addition, the Foundation maintains investment accounts with financial institutions that are not insured by FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2009, $101,018,413 was held in these accounts. The Foundation believes that the number, diversity, and financial strength of the issuers mitigate the credit risks associated with all investments.

The FIU Athletics Finance Corporation (Finance Corporation) places substantially all of its cash with high quality financial institutions, which the Finance Corporation believes limit these risks. At June 30, 2009, $3,823,934 was in excess of FDIC limits.

In addition, the Finance Corporation maintains investment accounts with financial institutions that are not insured by FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2009, $6,785,060 was held in these accounts. The Finance

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Corporation believes that the number, diversity, and financial strength of the issuers mitigate the credit risks associated with all investments.

The Florida International University Research Foundation, Inc. (Research Foundation), maintains deposit balances with financial institutions that, from time to time, may exceed FDIC limits. At June 30, 2009, the Research Foundation had $315,658 that was in excess of FDIC limits.

In addition, the Research Foundation maintains a deposit balance in Colombia, South America, to manage its Colombian operations pertaining to a United States Agency for International Development grant. The balance in this account of $342,543 as of June 30, 2009, is not FDIC insured and is subject to foreign exchange 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 of $1,000 for tangible personal property and $50,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Depreciable assets of the Florida International University Foundation, Inc., are stated at cost and are net of accumulated depreciation of $2,230,536. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, capital leases payable, compensated absences payable, and postemployment healthcare benefits payable, and other

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

long-term liabilities that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

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. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United 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, 2009, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 73,950,999
State Board of Administration Fund B Surplus Funds Trust Fund	8,964
Mutual Funds:	
Limited Partnerships	20,660,584
Equities	22,904,872
Fixed Income and Bond Mutual Funds	63,837,386
Money Market Funds	8,081,071
Total University Investments	$ 189,443,876

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

External Investment Pools

State Treasury Special Purpose Investment Account. The University reported investments at fair value totaling $73,950,999 at June 30, 2009, 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 A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2009. 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 the 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 (LGIP) to also 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 LGIP, 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 LGIP.

At June 30, 2009, the University reported investments at fair value of $8,964 for amounts held in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of .5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 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, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Fixed Income and Bond Mutual Funds

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

- *Interest Rate Risk*: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(6), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. The future maturities of the securities held in the fixed income and bond mutual funds at June 30, 2009, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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	$ 33,878,178	$ 1,016,345	$ 12,534,926	$ 15,922,744	$ 4,404,163
TIPS Index Fund	22,094,354	22,094	6,495,740	9,434,289	6,142,231
High Yield Bond Mutual Fund	7,864,854	715,270	3,009,855	3,871,610	268,119
Total	$ 63,837,386	$ 1,753,709	$ 22,040,521	$ 29,228,643	$ 10,814,513

- *Credit Risk*: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2009, the securities held in the high yield bond mutual fund had credit quality ratings by a nationally-recognized rating agency (i.e., Standard and Poor's 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	$ 33,878,178	$ 21,682,034	$ 677,563	$ 3,387,818	$ 8,130,763
TIPS Index Fund	22,094,354	22,094,354			
High Yield Bond Mutual Fund	7,864,854	157,297		31,459	7,676,098
Total	$ 63,837,386	$ 43,933,685	$ 677,563	$ 3,419,277	$ 15,806,861

- *Concentration of Credit Risk*: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy addresses the issue of concentration of credit risk by establishing the following restrictions:

  - Maximum position in an individual security (excluding Government securities) must not exceed 5 percent of the account market value.
  - Maximum position in any one issuer (excluding Government securities) must not exceed 5 percent of the account market value.

Component Units Investments

The Florida International University Foundation, Inc., investments at June 30, 2009, are reported at fair value as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Investment Type	Amount
Common Stock and Mutual Funds	$ 61,215,058
Limited Partnerships	25,206,483
U.S. Government and Municipal Securities	3,433,986
Corporate Bonds	10,924,057
Accrued Interest	238,829
Total	$ 101,018,413

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

The FIU Athletics Finance Corporation investments are made in accordance with the trust indenture dated April 1, 2007. The investments at June 30, 2009, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Board of Administration Fund B Surplus Trust Fund	$ 705,057
Money Market Funds	6,080,003
Total	$ 6,785,060

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

At June 30, 2009, the FIU Athletics Finance Corporation reported investments at fair value totaling $705,057 in the Local Government Surplus Fund (LGIP), Fund B Surplus Funds Trust Fund. 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 page 22.

At June 30, 2009, the FIU Athletics Finance Corporation reported investments at fair value totaling $6,080,003 in a money market mutual fund that only invests in United States Government issues and other AAA rated issues with maturity of 397 days or less. The fund maintains an average maturity of less than 60 days and is rated AAA by Standard and Poor's. The fund complies with the requirements of Rule 2a-7 under the 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds.

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

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JUNE 30, 2009

parties, and interest accrued on investments and loans receivable. As of June 30, 2009, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 9,752,870
Student Tuition and Fees	14,517,592
Other	586,359
Total Accounts Receivable, Net	$ 24,856,821

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

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based 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, and loans and notes receivable, are reported net of allowances of $14,028,713, $2,248,793, and $1,259,371, respectively, at June 30, 2009.

4. DUE FROM STATE

This amount consists of $164,609,371 of Public Education Capital Outlay, $8,503,456 of Capital Improvement Fee Trust Fund, and $725,300 of Alec P. Courtelis Capital Facility Matching Trust Fund due from the State to the University for construction of University facilities. There is an additional amount of $4,606,169 that is due from the Lottery funding distribution.

5. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The $4,772,272 reported as due from component units, current and noncurrent, represents grants totaling $774,188 owed to the University by the Florida International Research Foundation, Inc.; $3,500,000 due from the FIU Athletics Finance Corporation to fund a reserve account for the issuance of bonds (see note 12); and $498,084 owed to the University by the FIU Athletics Finance Corporation for construction costs related to the Football Stadium.

The $2,302,675 reported as due to component units consists of $2,212,265 owed by the University to the Florida International Research Foundation, Inc., to fund a promissory note issued by the Research Foundation to assist the University with a settlement agreement involving various Federal agencies (see note 11), and $90,410 owed to the FIU Athletics Finance Corporation for athletic ticket sales.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

6. INVENTORIES

Inventories have been categorized into the following two types:

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

- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. Inventories are comprised of telephone, information technology, and pharmaceutical supplies, as well as items maintained at the University's duplicating and postal service centers. Merchandise inventories are reported on the statement of net assets, and are valued at cost using the first-in, first-out, method.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 28,389,550	$ 2,600,000	$	$ 30,989,550
Works of Art and Historical Treasures	3,435,304	384,470	1,525	3,818,249
Construction in Progress	47,301,876	63,844,927	31,679,757	79,467,046
Total Nondepreciable Capital Assets	$ 79,126,730	$ 66,829,397	$ 31,681,282	$ 114,274,845
Depreciable Capital Assets:				
Buildings	$ 589,829,668	$ 31,392,726	$	$ 621,222,394
Infrastructure and Other Improvements	14,653,282	23,569		14,676,851
Furniture and Equipment	141,614,462	13,511,217	4,725,959	150,399,720
Library Resources	96,193,126	7,052,139	3,144	103,242,121
Computer Software	1,930,883	455,020	430,939	1,954,964
Property Under Capital Leases	6,298,617	500		6,299,117
Total Depreciable Capital Assets	850,520,038	52,435,171	5,160,042	897,795,167
Less, Accumulated Depreciation:				
Buildings	157,142,711	17,024,195		174,166,906
Infrastructure and Other Improvements	11,666,078	333,785		11,999,863
Furniture and Equipment	106,606,983	11,694,539	4,004,690	114,296,832
Library Resources	43,822,752	5,416,053		49,238,805
Computer Software	1,431,365	213,525	387,987	1,256,903
Property Under Capital Leases	2,747,554	1,405,667		4,153,221
Total Accumulated Depreciation	323,417,443	36,087,764	4,392,677	355,112,530
Total Depreciable Capital Assets, Net	$ 527,102,595	$ 16,347,407	$ 767,365	$ 542,682,637

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JUNE 30, 2009

8. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds. In addition, deferred revenue also includes stadium rental income for prepaid rent received from the FIU Athletics Finance Corporation, contracts and grants payments received in advance, and student housing fees, and athletic revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	$ 142,106,296
Stadium Rental Income	26,838,637
Contracts and Grants	3,855,118
Student Housing Fees	530,917
Athletic Revenues	159,275
Total Deferred Revenue	$ 173,490,243

9. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, include bonds, capital leases, compensated absences, postemployment healthcare benefits payable, and other long-term liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 126,162,492	$ 6,592,740	$ 6,567,770	$ 126,187,462	$ 6,950,275
Capital Leases Payable	3,775,690		1,221,280	2,554,410	1,114,953
Compensated Absences Payable	28,418,775	2,878,186	2,797,512	28,499,449	1,777,552
Postemployment Health Care Benefits Payable	2,117,000	1,960,000		4,077,000	
Other Long-Term Liabilities		2,785,317		2,785,317	
Total Long-Term Liabilities	$ 160,473,957	$ 14,216,243	$ 10,586,562	$ 164,103,638	$ 9,842,780

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JUNE 30, 2009

Revenue Bonds Payable. The University had the following bonds payable outstanding at June 30, 2009:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1995	$ 7,780,000	$ 3,672,770	5.20 - 5.375	2016
1998	26,525,000	21,348,706	4.30 - 4.75	2028
1999	7,530,000	4,751,308	5.00 - 5.625	2019
2000	14,605,000	11,603,592	4.65 - 5.75	2025
2002	22,915,000	16,952,153	3.20 - 4.60	2022
2004A	53,915,000	46,173,794	4.00 - 5.00	2034
Total Auxiliary Revenue Bonds	133,270,000	104,502,323		
State University System Revenue Bonds:				
1997A	4,360,924	2,950,185	4.75 - 5.00	2016
1998	5,643,367	3,829,177	4.40 - 5.00	2023
2001	5,566,922	4,378,180	4.00 - 5.00	2026
2003A	5,049,124	2,132,260	5.00	2013
2005A	2,257,296	1,862,939	3.625 - 4.125	2022
2008A	6,686,029	6,532,398	4.00 - 6.50	2033
Total State University System Revenue Bonds	29,563,662	21,685,139		
Total	$ 162,833,662	$ 126,187,462		

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

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

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

On January 14, 2009, the State Board of Education issued University System Improvement Revenue Bonds, Series 2008A. The University's portion of the bonds was $6,686,029. The proceeds will be used to fund various construction and renovation projects.

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 6,761,630	$ 5,935,305	$ 12,696,935
2011	7,082,898	5,626,110	12,709,008
2012	7,401,668	5,300,908	12,702,576
2013	7,751,605	4,956,336	12,707,941
2014	7,586,314	4,585,779	12,172,093
2015-1019	33,556,042	17,581,092	51,137,134
2020-2024	26,652,358	10,509,589	37,161,947
2025-2029	17,530,778	5,018,392	22,549,170
2030-2034	11,559,700	1,657,538	13,217,238
Subtotal	125,882,993	61,171,049	187,054,042
Plus: Net Bond Discounts, Premiums, and Losses on Bond Refundings	304,469		304,469
Total	$ 126,187,462	$ 61,171,049	$ 187,358,511

Capital Leases Payable. Data processing, food service equipment, and vehicles in the amount of $6,299,117 is being acquired under capital lease agreements. The stated interest rates range from 3.22 to 11.60 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	$ 1,104,399
2011	947,834
2012	549,012
2013	108,416
Total Minimum Payments	2,709,661
Less, Amount Representing Interest	(155,251)
Present Value of Minimum Payments	$ 2,554,410

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, 2009, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $28,499,449. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

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

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 206 retirees received postemployment healthcare benefits. The University provided required contributions of $1,411,000 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 $2,059,000.

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 Governmental Accounting Standards Board 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

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 1,509,000
Amortization of Unfunded Actuarial Accrued Liability	1,571,000
Interest on Normal Cost and Amortization	123,000
Annual Required Contribution	3,203,000
Interest on Net OPEB Obligation	91,000
Adjustment to Annual Required Contribution	(78,000)
Annual OPEB Cost (Expense)	3,216,000
Contribution Toward the OPEB Cost	(1,411,000)
Increase in Net OPEB Obligation	1,805,000
Net OPEB Obligation, Beginning of Year	2,117,000
Actuarial Adjustment to Beginning Net OPEB Obligation	155,000
Net OPEB Obligation, End of Year	$ 4,077,000

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, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	3,429,000	38.3%	2,117,000
2008-09	3,216,000	43.9%	4,077,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $45,547,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $45,547,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $228,675,000 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.9 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

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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.

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, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a four 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 four percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps after 8 years and 9 years, respectively. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

10. 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 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 16). The $13 million 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

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(see note 13). For the year ended June 30, 2009, total interest paid was $339,263. The bond proceeds are being used to acquire, construct, and equip a multi-function support complex located on the University Park campus and to pay issuance costs. As of June 30, 2009, the outstanding principal balance due under this note payable was $9.26 million. As of June 30, 2009, the fair value of the Foundation's liability under the swap agreement was $614,928.

The bonds are also payable from an irrevocable letter of credit. On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to $13 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. The Foundation must pay an annual commitment fee of .45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

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

The aggregate maturities of the notes payable, as of June 30, 2009, are shown in the following table:

Fiscal Year Ending June 30	Amount
2010	$ 550,000
2011	575,000
2012	605,000
2013	640,000
2014	670,000
Thereafter	6,220,000
Total	$ 9,260,000

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

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

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- $7,955,000, Florida International University Research Foundation, Inc., Tax-Exempt Note, Series 2005; interest at 65 percent of three–month London Interbank Offered Rate plus 39.23 basis points; interest and principal payable on a quarterly basis with a final payment of $515,000 on July 1, 2010 (see note 13).

Principal and interest requirements on the note payable outstanding as of June 30, 2009, are presented in the following table:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 2,030,000	$ 36,970	$ 2,066,970
2011	515,000	4,100	519,100
Total	$ 2,545,000	$ 41,070	$ 2,586,070

12. BONDS PAYABLE – FIU ATHLETICS FINANCE CORPORATION

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

The interest rate on these bonds are both fixed and variable and are subject to a hedge agreement that was entered into to reduce the exposure to market risks from changing interest rates (see note 13).

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 730,000	$ 1,585,156	$ 2,315,156
2011	775,000	1,540,675	2,315,675
2012	825,000	1,495,516	2,320,516
2013	880,000	1,441,092	2,321,092
2014	940,000	1,389,380	2,329,380
2015-2019	5,655,000	6,057,645	11,712,645
2020-2024	7,225,000	4,637,735	11,862,735
2025-2029	9,070,000	2,951,071	12,021,071
2030-2033	8,900,000	862,804	9,762,804
Total	$ 35,000,000	$ 21,961,074	$ 56,961,074

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13. 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 10. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month U.S. Dollar London Interbank Offered Rate (LIBOR). Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015.

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

On June 30, 2005, the Research Foundation entered into an interest rate swap agreement with a commercial bank on a notional amount of $7,955,000, which represents the notes payable described in note 11. Under the swap agreement, the Research Foundation agrees to pay a fixed rate of 3.15 percent per annum and receive a variable rate based on 65 percent of the three-month LIBOR plus .3923 percent. As of June 30, 2009, the Research Foundation reported a derivative liability of $42,168 in the statement of net assets and an unrealized loss of $1,467 in the statement of revenue, expenses, and changes in net assets. The difference is due to the negative derivative's value of $40,701 at the end of the 2007-08 fiscal year. The swap agreement has a maturity date of July 1, 2010.

FIU Athletics Finance Corporation (Finance Corporation)

On May 30, 2007, the Finance Corporation entered into an interest rate swap agreement with a commercial bank on a notional amount of $21 million, which represents the fixed portion of the bonds payable described in note 12. Under the swap agreement, the Finance Corporation agrees to pay a fixed rate of 4.1451 percent per annum and receive a variable rate based on the Securities Industry and Financial Markets Association (SIFMA) index (tax-exempt variable demand bond index maintained by the Bond Marketing

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Association). As of June 30, 2009, the Finance Corporation reported a derivative liability of $1,756,577 in the statement of net assets and an unrealized loss on derivative instrument of $748,747 in the statement of revenues, expenses, and changes in net assets. The swap agreement has a maturity date of March 1, 2033.

On April 1, 2007, Regions Bank, as Trustee for the $35,000,000 Series 2007A and 2007B Bonds for the construction of the University's football stadium, issued a letter of credit to serve as security for the payments of the bonds. The letter of credit will be in effect until April 15, 2012, and will automatically extend equal to the remaining balance of the bonds payable for a period of one year, subject to approval of Regions Bank, but not to extend beyond April 15, 2033. The Finance Corporation agrees to repay any draws against the letter of credit plus annual interest equal to the three-month LIBOR plus two percent. Construction draws to date as of June 30, 2009, were $28,100,076. Under the letter of credit agreement, the Finance Corporation is required to have $3,500,000 in an interest-bearing reserve fund deposited with Regions Bank, which is included in restricted cash and cash equivalents.

14. 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 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 four 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 and 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

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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 2008-09 fiscal year were as follows:

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

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

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $7,358,824, $7,869,759, and $8,286,522, respectively, which were equal to the required contributions for each fiscal year.

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 330 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled $1,246,690.

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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 1,670 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled $13,562,169 and employee contributions totaled $5,092,775.

15. CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2009, are as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Science Classroom Complex	$ 50,000,000	$ 139,256	$ 49,860,744
Graduate Classroom Building	23,300,000	156,055	23,143,945
Molecular Biology Building	46,868,243	24,345,705	22,522,538
Social Science - International Studies	22,849,971	1,127,153	21,722,818
International Hurricane Center	15,000,000	7,263	14,992,737
Utilities/Infrastructure Improvements	9,975,000	2,068,999	7,906,001
Satellite Chiller Plant	7,110,000	45,459	7,064,541
Pharmed Arena/Fitness Center Renovation	5,000,000		5,000,000
Parking Garage V/Retail/Public Safety Building	4,734,439	702,995	4,031,444
Public Safety Building, University Park Campus	3,131,025	102,388	3,028,637
Subtotal	187,968,678	28,695,273	159,273,405
Projects with Balance Committed Under $3 Million	76,035,671	50,771,773	25,263,898
Total	$ 264,004,349	$ 79,467,046	$ 184,537,303

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

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

The facility under the above operating lease is not recorded as an asset on the statement of net assets; however, the operational lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. The following schedule by years presents management's best estimate of future minimum rental payments for this noncancelable operating lease as of June 30, 2009:

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Fiscal Year Ending June 30	Amount
2010	$ 1,260,000
2011	1,260,000
2012	1,260,000
2013	1,260,000
2014	1,260,000
Thereafter	10,080,000
Total Minimum Payments Required	$ 16,380,000

17. 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, or design and architectural arts. The Wolfsonian has been loaned the Mitchell Wolfson, Jr., collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. It encompasses furniture, sculpture, paintings, books, graphics and other works of art on paper, as well as archives relating to the period. Through a series of academic study and fellowship programs, national and international traveling exhibitions, and scholarly initiatives, the Wolfsonian promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

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

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of "collection" as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated Collection of Decorative and Propaganda Arts is not reflected in the 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. Contributed collection items are not reflected in the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

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

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

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, and to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of $2.1 million during the 2008-09 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 $324,000 during the 2008-09 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

18. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2008-09 fiscal year, for property losses, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named wind and flood. For perils other than named wind and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; 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.

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 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.

19. 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:

Functional Classification	Amount
Instruction	$ 154,475,234
Research	74,208,498
Public Service	7,795,919
Academic Support	80,975,088
Student Services	22,381,292
Institutional Support	64,837,945
Operation and Maintenance of Plant	36,385,308
Scholarships and Fellowships	34,111,723
Depreciation	36,087,764
Auxiliary Enterprises	78,536,612
Loan Operations	32,194
Total Operating Expenses	$ 589,827,577

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

20. 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 Revenue Bonds	Parking Revenue Bonds
Assets		
Current Assets	$ 14,173,101	$ 13,712,612
Capital Assets, Net	88,706,613	39,755,323
Other Noncurrent Assets	3,280,621	214,295
Total Assets	106,160,335	53,682,230
Liabilities		
Current Liabilities	4,767,901	2,086,142
Noncurrent Liabilities	75,896,855	23,655,068
Total Liabilities	80,664,756	25,741,210
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,738,992	14,427,942
Restricted - Expendable	4,799,108	50,201
Unrestricted	11,957,479	13,462,877
Total Net Assets	$ 25,495,579	$ 27,941,020

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

	Housing Revenue Bonds	Parking Revenue Bonds
Operating Revenues	$ 22,865,946	$ 10,570,432
Depreciation Expense	(3,065,008)	(1,668,947)
Other Operating Expenses	(12,667,923)	(5,138,618)
Operating Income	7,133,015	3,762,867
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	63,995	72,662
Interest Expense	(3,690,069)	(1,237,157)
Other Nonoperating Expense	(304,621)	(494,377)
Net Nonoperating Expenses	(3,930,695)	(1,658,872)
Income Before Transfers	3,202,320	2,103,995
Net Transfers	(600,793)	801,684
Increase in Net Assets	2,601,527	2,905,679
Net Assets, Beginning of Year	22,894,052	25,035,341
Net Assets, End of Year	$ 25,495,579	$ 27,941,020

Condensed Statement of Cash Flows

	Housing Revenue Bonds	Parking Revenue Bonds
Net Cash Provided (Used) by:		
Operating Activities	$ 9,515,841	$ 5,668,608
Capital and Related Financing Activities	(8,157,346)	(3,081,060)
Investing Activities	(1,290,028)	(1,830,367)
Net Increase in Cash and Cash Equivalents	68,467	757,181
Cash and Cash Equivalents, Beginning of Year	2,514,407	76,814
Cash and Cash Equivalents, End of Year	$ 2,582,874	$ 833,995

21. COMPONENT UNITS

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

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

	Direct-Support Organizations			Total
	Florida International University Foundation, Inc.	Florida International University Research Foundation, Inc.	FIU Athletics Finance Corporation	
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 64,570,678	$ 3,500,934	$ 7,093,275	$ 75,164,887
Capital Assets, Net	11,100,703			11,100,703
Other Noncurrent Assets	96,264,185		32,286,606	128,550,791
Total Assets	171,935,566	3,500,934	39,379,881	214,816,381
Liabilities:				
Current Liabilities	1,600,858	2,868,721	4,095,119	8,564,698
Noncurrent Liabilities	8,992,106	515,000	37,770,000	47,277,106
Total Liabilities	10,592,964	3,383,721	41,865,119	55,841,804
Net Assets:				
Invested in Capital Assets, Net of Related Debt				
Restricted	146,699,767			146,699,767
Unrestricted	14,642,835	117,213	(2,485,238)	12,274,810
Total Net Assets	$ 161,342,602	$ 117,213	$ (2,485,238)	$ 158,974,577
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 46,239,834	$ 124,902	$ 2,909,116	$ 49,273,852
Operating Expenses	17,158,509	28,532	1,425,350	18,612,391
Operating Income	29,081,325	96,370	1,483,766	30,661,461
Net Nonoperating Expenses	(28,138,104)	(33,424)	(2,500,058)	(30,671,586)
Increase (Decrease) in Net Assets	943,221	62,946	(1,016,292)	(10,125)
Net Assets, Beginning of Year	160,399,381	54,267	(1,468,946)	158,984,702
Net Assets, End of Year	$ 161,342,602	$ 117,213	$ (2,485,238)	$ 158,974,577

22. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Statement of Current Unrestricted Funds Net Assets

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 5,258,499
Investments	165,165,672
Receivables, Net	14,512,526
Due from State	4,606,169
Due from Component Units	1,600
Inventories	436,276
Other Current Assets	87,034
Total Current Liabilities	190,067,776
Noncurrent Assets:	
Due from Component Units	3,500,000
Total Assets	193,567,776
Liabilities	
Current Liabilities:	
Accounts Payable	6,814,647
Salaries and Wages Payable	6,271,096
Deposits Payable	1,408,355
Due to State	135,713
Due to Component Units	2,131,719
Deferred Revenue	690,192
Compensated Absences Payable	1,646,114
Total Current Liabilities	19,097,836
Noncurrent Liabilities:	
Compensated Absences Payable	24,745,983
Postemployment Healthcare Benefits Payable	4,077,000
Total Noncurrent Liabilities	28,822,983
Total Liabilities	47,920,819
Total Net Assets	$ 145,646,957

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Assets

Revenues	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of $3,252,362 (Note 1)	$ 177,471,893
State and Local Grants and Contracts	2,000
Nongovernmental Grants and Contracts	76,956
Sales and Services of Educational Departments	359,384
Sales and Services of Auxiliary Enterprises	88,510,796
Other Operating Revenues	7,393,622
Total Operating Revenues	273,814,651
Expenses	
Operating Expenses:	
Compensation and Employee Benefits	313,375,715
Services and Supplies	98,170,465
Utilities and Communications	15,315,396
Scholarships, Fellowships, and Waivers	23,661,911
Total Operating Expenses	450,523,487
Operating Loss	(176,708,836)
Nonoperating Revenues (Expenses)	
State Appropriations	227,082,151
Other Nonoperating Revenues	84,494
Investment Loss	(5,930,246)
Interest on Capital Asset-Related Debt	(146,862)
Other Nonoperating Expenses	(72,837)
Net Nonoperating Revenues	221,016,700
Income Before Other Revenues, Expenses, Gains, or Losses	44,307,864
Capital Grants, Contracts, Donations, and Fees	5,000
Transfers to Other Funds, Net	(39,533,053)
Increase in Net Assets	4,779,811
Net Assets, Beginning of Year	140,867,146
Net Assets, End of Year	$ 145,646,957

Note: (1) Tuition and fee revenue is recorded in the current unrestricted fund. Scholarship allowance is recorded based on the pro rata share of scholarship expense in the current unrestricted and restricted fund types. For the fiscal year ended June 30, 2009, $48,715,776 of the scholarship allowance is recorded in the restricted fund.

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

23. SUBSEQUENT EVENTS

On December 17, 2009, the University issued $32,000,000 of Florida International University Parking Facility Revenue Bonds consisting of $3,085,000, Series 2009A, tax-exempt bonds and $28,915,000, Series 2009B, taxable Build America Bonds. The bond proceeds are to be used to finance a portion of the construction of Parking Garage V, a new multilevel parking garage expected to be completed by August 2010. The bonds are secured by Parking System Revenues and were issued on parity with the current Parking System bonds (Auxiliary Revenue Bonds).

FLORIDA INTERNATIONAL UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
JUNE 30, 2009

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b) (2)	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%
(1)	$ -	$ 45,547,000	$ 45,547,000	0%	$ 228,675,000	19.9%

Notes: (1) The most recent actuarial valuation was July 1, 2007. An update, dated October 14, 2008, took into account anticipated PPO cost increases, HMO cost increases, and retiree contribution increases used in the July 31, 2008, report on the Financial Outlook for the State Employees' Group Self-Insurance Trust Fund.

(2) The actuarial cost method used by the institution is the entry-age actuarial cost method.

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 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 basic 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, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, 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. 2010-096.

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

Respectfully submitted,

David W. Martin, CPA
February 22, 2010