

1999

Annual financial report for the fiscal year 1997-1998

Florida International University

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FIU

FLORIDA INTERNATIONAL UNIVERSITY

Annual Financial Report

Fiscal Year 1997-98



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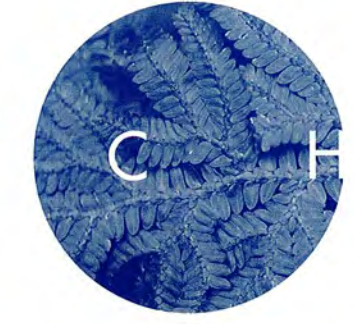
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FIU

FLORIDA INTERNATIONAL UNIVERSITY

Hope, Knowledge, and Opportunity

Dr. Modesto A. Maidique, President
Florida International University
University Park
Miami, Florida 33199

Dear President Maidique:

I am pleased to submit the Annual Financial Report of Florida International University for the fiscal year ended June 30, 1998. The financial statements presented in this report have been prepared in accordance with generally accepted accounting principles as published by the National Association of College and University Business Officers under the title of "College and University Business Administration."

The financial statements were audited by the State Auditor General and submitted to the Board of Regents for consolidation with the financial statements of other universities in the State University System. The consolidated financial statements will be presented in the statewide General Purpose Financial Statements issued by the State Comptroller's Office. The statewide statements will be the subject of an opinion by the State Auditor General.

Sincerely,

A handwritten signature in gold ink that reads "Cynthia W. Curry".

Cynthia W. Curry

*Senior Vice President for the
Division of Business and Finance*

HISTORY

Florida International University (the University) was chartered by the Florida legislature in 1965. It opened its doors in 1972 to 5,667 students enrolled in upper-division undergraduate and graduate programs. The University operated on one campus located in southwest Miami-Dade County. In 1981, the University added lower-division programs for freshmen and sophomores, expanding its enrollment capacity. The University received authority to begin offering programs at the doctoral level in 1984.

Today, Florida International University has more than 30,500 students, 1,300 faculty and 80,000 alumni, making it the largest public university in South Florida. Through its 15 colleges and schools, FIU offers 250 baccalaureate, master's, and doctoral degree programs, conducts basic and applied research, and provides public service. Two major campuses operate in Miami-Dade County and two academic centers in Broward County. University Park, the largest and

oldest of the campuses, is located on 342 acres in residential southwest Miami-Dade County. In addition to academic buildings and its administrative headquarters, this campus has residence halls, the Golden Panther Sports Arena, a new state-of-the-art eight-story library, an environmental preserve and athletic facilities.

The North Campus is located on 200 acres of a natural mangrove preserve facing beautiful Biscayne Bay. The campus facilities include a residential community, an aquatic center, and the Roz and Cal Kovens Conference Center, a state-of-the-art facility that accommodates up to 500 persons.

The University operates two academic centers in nearby Broward County. The University Tower in downtown Fort Lauderdale offers primarily graduate programs and the FIU Broward Center in Davie, located on the campus of Broward Community College, focuses on undergraduate programs.

RESEARCH

Florida International University emphasizes research as a major component of its mission. Sponsored research funding from outside sources grew more than six-fold over the last decade, from \$6 million in 1985-86 to more than \$37 million in 1997-98. These funds, secured through contracts and grants from private foundations, corporations, and federal and state agencies, are used to conduct research, provide stipends for graduate students and improve research facilities.

Becoming a Research I institution is one of FIU's major goals. The Division of Sponsored Research works closely with faculty and granting agencies in the development of proposals and negotiation of grant agreements. During fiscal year 1997-98, 283 grants totaling \$17.9 million were

awarded to the University and an additional 140 grants were renewed during the year for \$19.3 million. Listed below are some of the most notable research centers and programs.

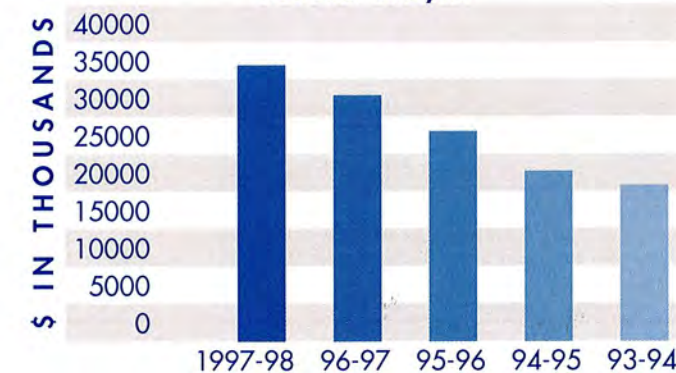
Hemispheric Center for Environmental Technology (HCET)

HCET is an environmental research and development center, established in 1995 by the University in partnership with the U.S. Department of Energy. The center researches, develops and demonstrates innovative environmental technologies and facilitates their transfer to commercial and governmental users. As a testing center, HCET is an international leader in the evaluation and demonstration of new technology for decontaminating and decommissioning nuclear facilities.



CONTRACTS & GRANTS REVENUES

Five Year Analysis



GRANT ANALYSIS

	1997-98	1996-97	1995-96
Proposals Submitted	568	517	454
Proposals Awarded	283	237	260
Grant Renewals	140	129	125
Active Grants	663	533	516

HCET's laboratories, demonstration sites, and offices are located in FIU's Center for Engineering and Applied Sciences. The 243,000 square-foot building on a 38-acre site is close to the University's main campus and only minutes from Miami International Airport. HCET employs approximately 100 staff and university students. Its professionals are drawn from diverse sectors, disciplines and academic backgrounds. The center is equipped with state-of-the-art facilities for conducting research and development, testing, and evaluation of new technologies.

Southeast Environmental Research Program (SERP)

Established in 1993, SERP promotes, coordinates and conducts environmental research in the southeastern United States and the Caribbean. Research activities are focused broadly on aquatic ecology and biogeochemistry in fresh water and marine environments, and ecosystem dynamics in tropical and subtropical forests. SERP has conducted extensive research on the environmental challenges facing the Florida Everglades.

International Hurricane Center

Established in 1995, the International Hurricane Center is a Type I research center serving the entire state of Florida. Its research focuses on the mitigation of hurricane damage to people, the economy and man-made and natural environments.

Tropical Botany

Faculty from the Department of Biological Sciences have conducted extensive research on tropical botany, including studies in Malaysia on deforestation and rare blue plants, and in Costa Rica on natural regeneration of tropical trees. The department has close ties with research institutions including Everglades National Park, Fairchild Tropical Garden and the U.S. Department of Agriculture.

FINANCIAL HIGHLIGHTS

Florida International University is funded through state appropriations for the support of its mission of instruction, research and public service. Additionally, revenues are generated through student fees, auxiliary operations, concession activities and research projects awarded by federal, state and private agencies.

Educational and General

Educational and General funds account for approximately 62% of all funds received by the University. Allocated by the legislature through the Board of Regents, this funding source totaled \$183.9 million (cash basis) during fiscal year 1997-98 consisting of \$128.7 million from state appropriations, \$9.8 million from the State Lottery and \$45.4 million from the Student and Other Fees Trust Fund.

Auxiliary Enterprises

Auxiliary enterprises consist of self-supported activities operated by the University for the benefit of students, faculty and staff. The major auxiliary operations administered by the University are: student housing, food service, bookstore, central stores, duplicating and University Outreach. Revenues generated by auxiliary enterprises during fiscal year 1997-98 totaled \$33.2 million, representing a 9% increase over previous year's revenues.

Student Fees

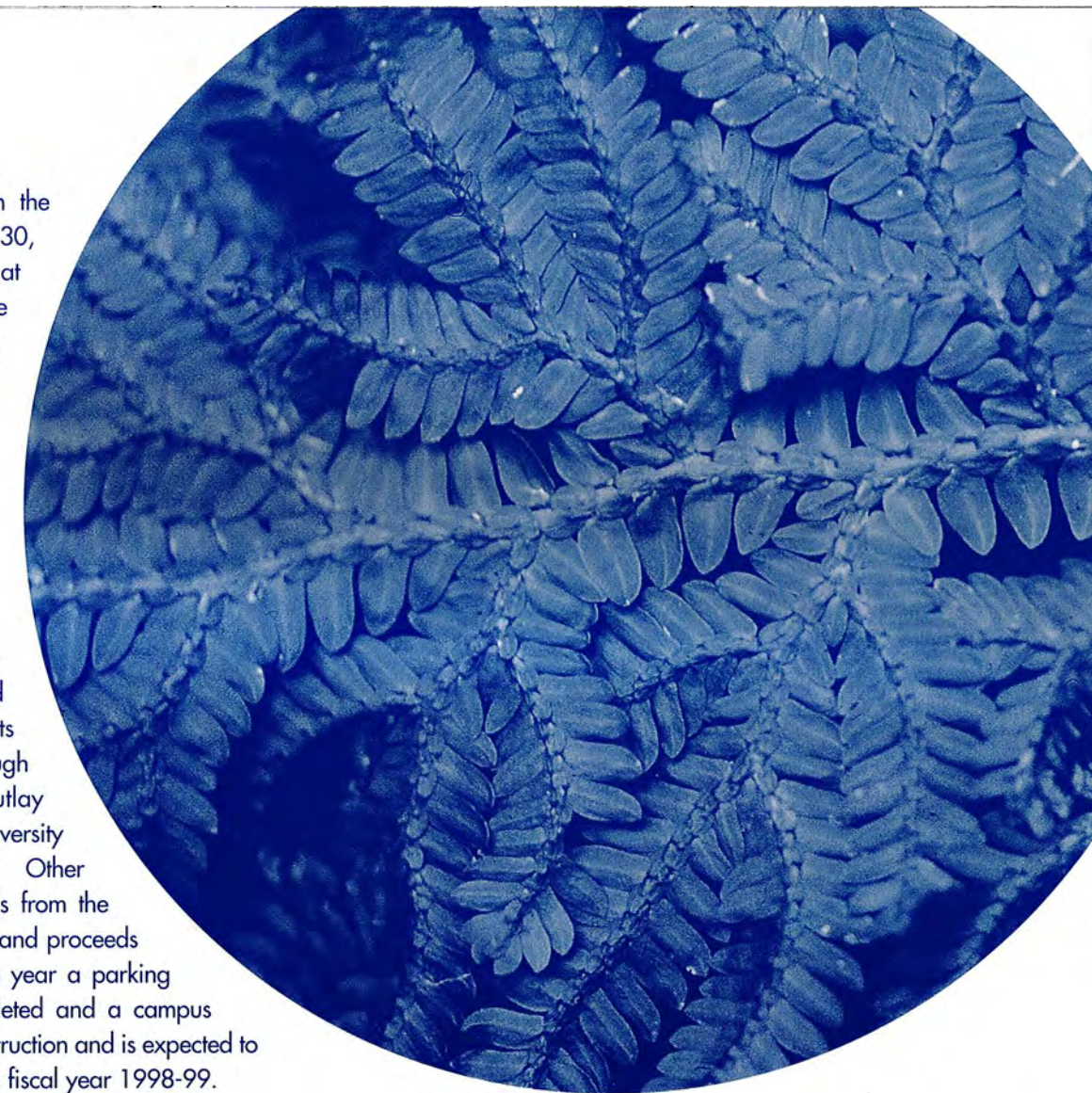
Registration fees are assessed to students based on a fee schedule approved by the Board of Regents. During fiscal year 1997-98, the University collected registration fees totaling \$66.7 million. Of this amount \$52 million was remitted to the Board of Regents as part of the University's incidental requirement and for capital projects; \$14.7 million was retained locally to support the intercollegiate athletic, student activity and student health and wellness programs.

Investments

Idle funds are invested through the State Treasurer's Office. At June 30, 1998, investments were valued at \$47.5 million. Investment income of \$2.7 million, earned during the fiscal year, was used to support operations and for scholarships to students.

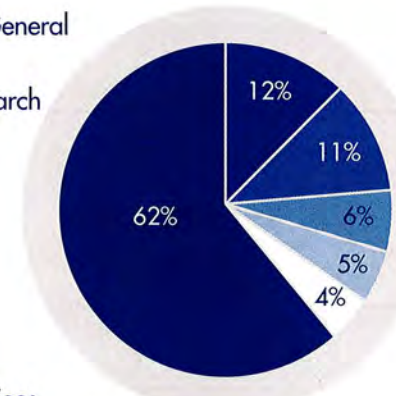
Construction Projects

The University continues to maintain an active construction program. During the fiscal year construction expenditures totaled \$26.7 million. These projects were financed primarily through Public Education Capital Outlay (PECO) funds allocated to the University through the Board of Regents. Other funding sources included monies from the Capital Improvement Trust Fund and proceeds from a bond issue. During the year a parking garage was substantially completed and a campus support building was under construction and is expected to be opened for occupancy during fiscal year 1998-99.



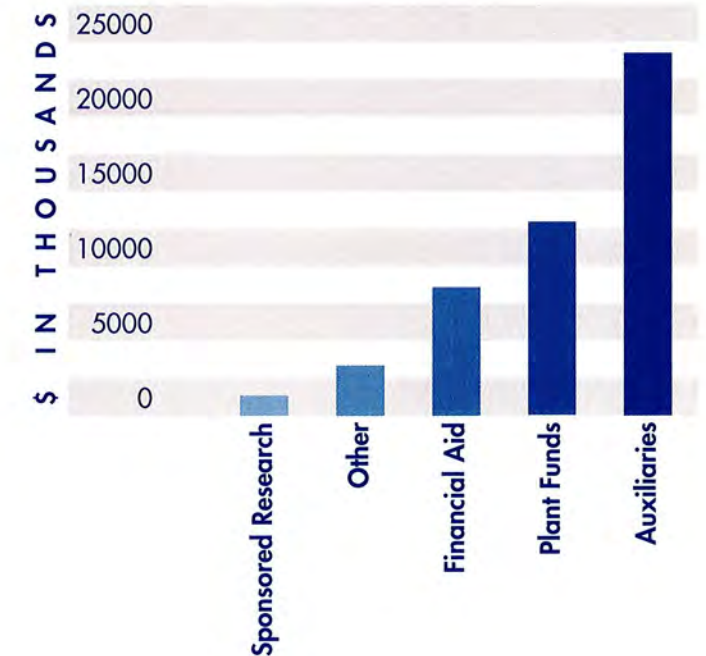
REVENUE ANALYSIS

- 62% Educational & General
- 12% Sponsored Research
- 11% Auxiliaries
- 6% Financial Aid
- 5% Plant Funds
- 4% Athletics/A&S Fees



Total Revenue \$296 Million

INVESTMENTS



BALANCE SHEET

As of June 30, 1998 with Comparative Balances

	Current Funds		Loan Fund	Unexpended	Plant Funds			Agency Fund	University Totals		Direct Support Organization
	Unrestricted	Restricted			Renewal & Replacement	Retirement of Indebtedness	Investment in Plant		1998	1997	
ASSETS											
Cash	\$ 21,012,189	\$ 1,383,923	\$ 606,980	\$ 255,524	\$14,498			\$ 183,568	\$ 23,456,682	\$ 21,517,178	\$ 2,523,333
Deposits									-	7,171,171	
Investments	24,753,746	5,328,657	4,115,535	3,775,889		8,064,888		1,453,110	47,491,825	31,552,838	32,104,455
Net Receivables	2,224,147	7,135,064	2,618,999	20,329				117,090	12,115,629	11,165,194	8,954,411
Inventories	807,858								807,858	583,518	
Due From Other Funds	2,134,155	46,871							2,181,026	88,452	
Due From Other State Agencies	1,281,518			30,430,705					31,712,223	40,544,902	
Deferred Charges				8,827					46,683	43,583	53,668
Land									32,781,499	32,590,425	
Buildings									265,489,100	206,420,546	499,874
Equipment									83,043,406	67,647,499	
Library Books									45,117,822	41,100,737	
Construction-In-Progress									7,146,201	46,482,888	
Other Fixed Assets									648,375		
TOTAL ASSETS	\$ 52,213,613	\$13,894,515	\$7,341,514	\$34,491,274	\$14,498	\$8,064,888	\$434,264,259	\$1,753,768	\$552,038,329	\$506,908,931	\$44,135,741
LIABILITIES											
Accounts Payable	\$ 1,293,755	\$ 24,652		\$ 1,442,548				\$1,651,199	\$ 4,412,154	\$ 7,472,125	\$ 1,000
Accrued Liabilities	1,569,542	338,088							1,907,630	678,554	
Due To Other Funds	46,871	2,134,155							2,181,026	88,452	
Due To Other State Agencies								102,569	102,569	103,502	
Compensated Absence Liability	15,453,039								15,453,039	14,213,920	
Other Liabilities			1,635,793						1,635,793		
Long Term Debt				2,767,865			45,894,304		48,662,169	50,069,452	810,621
TOTAL LIABILITIES	\$ 18,363,207	\$ 2,496,895	\$1,635,793	\$ 4,210,413	\$ -	\$ -	\$ 45,894,304	\$1,753,768	\$ 74,354,380	\$ 72,626,005	\$ 811,621
FUND BALANCE											
Future Amount To Be Financed	\$(15,453,039)								\$(15,453,039)	\$(14,213,920)	
Reserve For Encumbrances	8,559,993	4,345,135		11,652,081					24,557,209	28,516,709	
Unallocated Fund Balance	13,869,369								13,869,369	11,147,237	
Allocated Fund Balance	26,874,083	7,052,485	2,800,680	18,628,780	14,498	8,064,888			63,435,414	50,800,961	
Refundable Government Grants			2,905,041						2,905,041	3,295,466	
Investment In Plant							388,369,955		388,369,955	354,736,473	
Component Unit Fund Balance									-		43,324,120
TOTAL FUND BALANCE	\$ 33,850,406	\$11,397,620	\$5,705,721	\$30,280,861	\$14,498	\$8,064,888	\$388,369,955	\$ -	\$477,683,949	\$434,282,926	\$43,324,120
TOTAL LIABILITIES AND FUND BALANCE	\$ 52,213,613	\$13,894,515	\$7,341,514	\$34,491,274	\$14,498	\$8,064,888	\$434,264,259	\$1,753,768	\$552,038,329	\$506,908,931	\$44,135,741

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

For Year Ended June 30, 1998 with Comparative Totals

	Current Funds			Plant Funds				University Totals		Direct Support Organization
	Unrestricted	Restricted	Loan Fund	Unexpended	Renewal & Replacement	Retirement of Indebtedness	Investment in Plant	1998	1997	
REVENUES AND OTHER ADDITIONS										
Unrestricted Current Fund Revenues	\$194,820,551							\$194,820,551	\$175,397,898	
Auxiliary Enterprises Revenues	33,225,076							33,225,076	30,439,412	
State Appropriations - Restricted				13,509,828				13,509,828	33,163,452	
Governmental Grants & Contracts - Restricted		6,699,590	14,079					6,713,669	5,711,144	
Private Gifts, Grants & Contracts - Restricted		7,684,493						7,684,493	6,707,605	
Federal Grants & Contracts - Restricted		33,366,835						33,366,835	29,300,484	
Investment Income - Restricted		101,450	165,242	407,666		668,272		1,342,630	908,097	
Federal Government Advances			10,980					10,980	22,000	
Interest on Loans Receivable			199,665					199,665	47,387	
Resources Received from BOR								-	212,958	
Expended for Plant Facilities							40,328,205	40,328,205	58,859,978	
Retirement of Indebtedness				59,008			1,783,918	1,842,926	1,515,025	
Other Revenues and Additions			783,278	250,000		2,181,383		3,214,661	2,186,141	14,124,975
TOTAL	\$228,045,627	\$47,852,368	\$1,173,244	\$14,226,502	\$ -	\$2,849,655	\$ 42,112,123	\$336,259,519	\$344,471,581	\$14,124,975
EXPENDITURES AND OTHER DEDUCTIONS										
Educational and General Expenditures	\$192,655,618	\$44,481,092						\$237,136,710	\$209,704,986	
Auxiliary Enterprises	26,431,106							26,431,106	28,396,762	
Indirect Costs Recovered		4,867						4,867	12,142	
Refunded to Grantors		4,620						4,620	15,817	
Administrative and Collections Costs			24,185					24,185	41,416	
Resources Remitted to BOR	22,284							22,284		
Expended for Plant Facilities				26,663,740				26,663,740	44,607,599	
Interest on Indebtedness						1,500,971		1,500,971	1,602,522	
Disposal of Plant Facilities							343,897	343,897	1,303,400	
Other Expenditures & Deductions			60,825			1,379,325	432,545	1,872,695	1,338,602	4,128,791
TOTAL	\$219,109,008	\$44,490,579	\$ 85,010	\$26,663,740	\$ -	\$2,880,296	\$776,442	\$294,005,075	\$287,023,246	\$ 4,128,791
TRANSFERS - FUND BALANCES										
Interfund Transfers	\$ (695,560)		\$ (27,879)	\$ 8,425,639			\$ (7,702,200)	\$ -		
Net Increase (Decrease)	\$ 8,241,059	\$ 3,361,789	\$1,060,355	\$ (4,011,599)	\$ -	\$ (30,641)	\$ 33,633,481	\$ 42,254,444	\$ 57,448,335	\$ 9,996,184
Fund Balance at Beginning of Year	25,609,347	8,035,831	4,645,366	35,859,968	14,498	7,171,170	352,946,746	434,282,926	376,834,591	33,327,936
Fund Balance Adjustments				(1,567,508)		924,359	1,789,728	1,146,579		
FUND BALANCE AT END OF YEAR	\$ 33,850,406	\$11,397,620	\$5,705,721	\$30,280,861	\$ 14,498	\$8,064,888	\$388,369,955	\$477,683,949	\$434,282,926	\$43,324,120

See accompanying notes to the financial statements.

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

For Year Ended June 30, 1998 with Comparative Totals

	Current Funds		Total	Total
	Unrestricted	Restricted	1998	1997
REVENUES				
EDUCATIONAL & GENERAL				
Student Tuition and Fees	\$ 56,521,355		\$ 56,521,355	\$ 48,862,590
Governmental Appropriations - State	137,668,262		137,668,262	124,682,442
Grants, Contracts & Gifts - Government		17,004,540	17,004,540	14,130,356
Federal Contracts & Grants		20,286,028	20,286,028	19,583,380
Grants, Contracts & Gifts - Private		6,357,487	6,357,487	6,365,690
Investment Income	99,863		99,863	86,446
Other	531,071	833,038	1,364,109	1,766,420
Total Educational & General Revenues	\$194,820,551	\$44,481,093	\$239,301,644	\$215,477,324
AUXILIARY ENTERPRISES				
Sales & Services - Operations	\$ 26,449,954		\$ 26,449,954	\$ 24,836,195
Student Fees	5,391,091		5,391,091	4,524,870
Investment Income	1,384,031		1,384,031	1,078,347
Total Auxiliary Income	\$ 33,225,076	\$ -	\$ 33,225,076	\$ 30,439,412
TOTAL CURRENT REVENUES	\$228,045,627	\$44,481,093	\$272,526,720	\$245,916,736
EXPENDITURES				
EDUCATIONAL & GENERAL				
Instruction	\$ 78,338,221	\$ 6,056,364	\$ 84,394,585	\$ 79,257,775
Research	14,942,527	23,152,770	38,095,297	34,320,037
Public Service	163,037	1,549,855	1,712,892	1,039,678
Academic Support	34,560,019	451,840	35,011,859	28,642,620
Student Services	15,438,236	812,810	16,251,046	12,812,116
Institutional Support	27,021,303	222,621	27,243,924	22,389,917
Operation & Maintenance of Plant	16,221,412	711,144	16,932,556	15,591,840
Scholarship & Fellowship	5,970,863	11,523,689	17,494,552	15,651,002
Total Educational and General	\$192,655,618	\$44,481,093	\$237,136,711	\$209,704,985
Auxiliary Enterprises Expenditures	\$ 26,431,106	\$ -	\$ 26,431,106	\$ 28,396,762
TOTAL EXPENDITURES	\$219,086,724	\$44,481,093	\$263,567,817	\$238,101,747
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)				
Excess of Restricted Receipts				
Over Transfers to Revenue		\$ 3,366,409	\$ 3,366,409	\$ 1,657,189
Refunded to Grantors		(4,620)	(4,620)	(15,817)
Interfund Transfers	(695,560)		(695,560)	(4,817,447)
Resources Remitted to BOR/Other Universities	(22,284)		(22,284)	212,958
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	\$ (717,844)	\$ 3,361,789	\$ 2,643,945	\$ (2,963,117)
NET INCREASE IN FUND BALANCE	\$ 8,241,059	\$ 3,361,789	\$ 11,602,848	\$ 4,851,872

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1998

The significant accounting policies followed by Florida International University are described below to enhance the usefulness of the financial statements.

A. REPORTING ENTITY

Although the University is considered a separate entity for financial reporting purposes, it is a part of the State University System of Florida and accordingly is governed, regulated, and coordinated by the State Department of Education, Board of Regents, and subject to the general supervision of the State Board of Education. The President is responsible for the management of the University, under the general direction and control of the Chancellor of the State University System of Florida, who has ultimate responsibility for administering the policies prescribed by the Board of Regents.

The University's "direct support organization," as provided for in Section 240.299 Florida Statutes, and Board of Regents Rule 6C-9.011, is considered a component unit of the University and therefore the latest audited statements of this organization are included in the financial statements of the University by discrete presentation. This is a separate, not-for-profit corporation 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. This organization is authorized to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University. An annual post audit of the organization's financial statements is conducted by an independent certified public accountant. The annual report is submitted to the Auditor General and the Board of Regents for review. This not-for-profit corporation and its purpose are explained below:

Florida International University Foundation, Inc. is a not-for-profit corporation and its purpose is to encourage, solicit, receive and administer gifts and requests of property and funds for the advancement of Florida International University.

B. BASIS OF ACCOUNTING

The University's fiscal and accounting operations are essentially structured around the recommendations of the National Association of College and University Business Officers, constituting generally accepted accounting principles, as published under the title of "College and University Business Administration." Financial Statements have been prepared in accordance with instructions provided by the Board of Regents.

Financial statements have been prepared on the accrual basis of accounting. However, depreciation of fixed assets is not recognized. The Reserve for Encumbrances portion of the Fund Balance is a representation of purchase commitments for which the merchandise or services have not been received. Notes receivable from students are reported in the Loan Fund at net value.

The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts provided are accounted for as: (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization, interest, and equipment renewal and replacement; and (3) as transfers of a non-mandatory nature for all other cases.

Physical plant and equipment are recorded at cost as of the date of acquisition or at appraised value as of the date received in the case of gifts or purchases from the State Division of Surplus Property. Some items of equipment purchased from the Division of Surplus Property have title restrictions.

C. FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the financial records and accounts are maintained in accordance with the principles of "fund accounting." This is the procedure

by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund. However, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported in one of the following fund groups.

- 1. Current Funds** - This fund group includes those economic resources of the University which are expendable for operational purposes in performing the primary objectives of the University. Resources restricted by donors or other outside agencies for specific current operating purposes are reported as Restricted Current Funds.
- 2. Loan Funds** - This fund group consists of loans to students and resources available for such purposes. The terms of the loan agreements usually specify that the money operate on a revolving basis, i.e., repayment of principal and interest are loaned to eligible students.
- 3. Endowment Funds** - These are funds which the donors or outside agencies have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Quasi-endowment funds (funds functioning as endowment) are funds which the governing board of an institution has determined are to be retained and invested. These quasi-endowment funds are usually set aside to fulfill the same purpose as endowment funds and therefore, are accounted for in the same manner as endowment funds. FIU had no funds classified in this fund group as of June 30, 1998.

- 4. Plant Funds** - This fund group represents four separate self-balancing fund subgroups for which separate accountability and reporting is required. These fund subgroups are as follows:

A. Unexpended Plant Funds account for the unexpended resources received directly by the University from various sources to finance the acquisition of long-lived plant assets and the associated liabilities.

B. Renewal and Replacement Plant Funds provide for the renewal and replacement of plant fund assets, as distinguished from additions and improvements to plant.

C. Retirement of Indebtedness Funds account for the accumulation of resources received directly by the University for interest and principal payments and other debt service charges, including contributions for sinking funds relating to plant fund indebtedness.

D. Investment in Plant includes all long-lasting assets in the service of the University, as well as all associated liabilities. This account includes all construction in progress.

- 5. Agency Funds** - This fund group consists of funds held by the University as custodian or fiscal agent for others.
- 6. Component Units** - This fund group consists of organizations for which the University is accountable, or for which the nature and significance of their relationship with the University are such that exclusion would cause the financial statements to be misleading or incomplete.

D. OTHER SIGNIFICANT ACCOUNTING POLICIES

Other significant accounting policies are set forth in the financial statements and notes thereto.

E. NOTES TO THE FINANCIAL STATEMENTS

1. INVESTMENTS
Investments were made through the State Treasury and the State Board of Administration in accordance with the provisions of Section 215.515 and 215.49, Florida Statutes. Investments consisted of the instruments listed in Section 18.10, Florida Statutes. The investments are recorded at cost, however, the difference between market value and the cost of investments is negligible.

2. ALLOWANCE FOR DOUBTFUL RECEIVABLES
The amount of allowance for doubtful accounts and notes receivable as of June 30, 1998 is estimated to be \$3,759,686. This amount was determined from aging schedules based on type, age, collection experience of the University, as well as other pertinent data. Delinquent notes

receivable where the federal "due diligence" requirements have been fulfilled and all "in house" efforts have been exhausted, are considered doubtful. The reserves are listed in Table 1.

TABLE 1

Fund Group	
Current Funds	\$2,194,534
Loan Fund	1,429,923
Agency Fund	135,229
Total	\$3,759,686

3. INVENTORIES

Inventories are recorded by the method(s) shown in Table 2.

TABLE 2

Inventory	Method
Central Stores	Average Cost
Duplicating Center	Last Invoice Price
Computer Store	Last Invoice Price

4. LONG-TERM DEBT

The University's long-term indebtedness is reported in the Investment in Plant Fund and Unexpended Plant Fund and is classified according to the following type of indebtedness:

A. Revenue Certificates and Bonds Payable

Bonds and revenue certificates were issued to construct University facilities in the State University System, including parking garages, student housing, academic and student service facilities. Bonds and revenue certificates outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees and various student fee assessments. The building fee and capital improvement fee collected as a part of tuition and remitted to the Board of Regents is used to retire the revenue certificates for the academic and student service facilities.

Refer to Table 3 for a summary of pertinent information related to the University's indebtedness resulting from the issuance of certificates and bonds.

Principal and interest payment for these revenue certificates and bonds are illustrated in Tables 4 and 5.

TABLE 4

INVESTMENT IN PLANT FUND:			
YEAR ENDING	PRINCIPAL	INTEREST	TOTAL
1999	\$ 764,303	\$ 979,982	\$ 1,744,285
2000	797,246	945,020	1,742,266
2001	836,975	908,347	1,745,322
2002	874,357	869,123	1,743,480
2003	915,408	827,832	1,743,240
Later Years	15,398,592	5,723,991	21,122,583
Subtotal	\$19,586,881	\$10,254,295	\$29,841,176
Bond Disc	(252,523)		(252,523)
Total	\$19,334,358	\$10,254,295	\$29,588,653

TABLE 5

UNEXPENDED PLANT FUND:			
YEAR ENDING	PRINCIPAL	INTEREST	TOTAL
1999	\$ 63,833	\$ 158,123	\$ 221,956
2000	66,227	153,655	219,882
2001	69,418	149,019	218,437
2002	72,211	144,159	216,370
2003	75,403	139,105	214,508
Later Years	2,469,542	1,537,778	4,007,320
Subtotal	\$ 2,816,634	\$ 2,281,839	\$ 5,098,473
Bond Disc	(48,768)		(48,768)
Total	\$ 2,767,866	\$ 2,281,839	\$ 5,049,705
TOTAL	\$22,102,224	\$12,536,134	\$34,638,358

TABLE 3

BOND ISSUE	AMOUNT OF ISSUE	TOTAL RETIRED/ REFUNDED	PRINCIPAL	DISCOUNT	INTEREST	INTEREST RATE	DATE OF MATURITY
1991	\$ 5,250,100	\$(5,125,529)	\$ 98,311	\$ (26,259)	\$ 25,539	5.9%	2003
1993	9,211,193	(1,378,533)	7,733,826	(98,835)	3,316,086	4.5%	2013
1997	2,936,719	(120,086)	2,767,865	(48,768)	2,281,839	7.0%	2022
1997-A	4,360,923	(36,273)	4,267,242	(57,409)	2,757,891	3.85%	2016
Subtotal	\$21,758,935	\$(6,660,421)	\$14,867,244	\$(231,271)	\$ 8,381,355		
1995	7,780,000	(475,000)	7,234,980	(70,020)	4,154,779	4.7%	2016
TOTAL	\$29,538,935	\$(7,135,421)	\$22,102,224	\$(301,291)	\$12,536,134		

In fiscal year 1997-98, the Division of Bond Finance of the State Board of Administration, on behalf of the State University System of Florida, advance refunded \$41,235,000 of the Outstanding State of Florida, Board of Regents University System Improvement Revenue Certificates, Series 1991 maturing in the years 2004 through 2016 inclusive, in order to take advantage of a general reduction in interest rates below those on the outstanding obligations to achieve an overall reduction in debt service costs. The refunding resulted in a total debt savings for the State University System of \$5,789,296, and a total economic gain of \$3,876,471. The economic gain is the difference between the present value of the old debt service and the new debt service. The University allocation of the debt savings was \$552,625, and the economic gain was \$370,034.

B. Certificates of Participation

In 1986, the State Comptroller entered into a consolidated equipment financing program whereby tax-exempt certificates of participation were issued. The purpose of the program is to acquire equipment and refinance equipment previously purchased by the state at lower financing costs, than would otherwise be obtained. As of June 30, 1998, the University did not have any outstanding commitments under the Consolidated Equipment Financing Program.

C. Installment Purchase Contracts and Capital Leases

As of the end of the fiscal year 1997-98, the University did not have any outstanding capital leases.

D. Other Long-Term Debt

During the fiscal year 1993-94 the Dade County Educational Facilities Authority issued its \$29,345,000 Dade County Educational Facilities Authority Revenue and Revenue Refunding Bonds, Series 1993 (Florida International University Project). Proceeds from the sale of the bonds were loaned to the University under a Loan Agreement, dated October 15, 1993, and used with other moneys available to: 1) current refund, defease and redeem the outstanding Dade County Educational Facilities Authority Dormitory Bonds, Series 1984; 2) advance refund and defease the outstanding Dade County Educational Facilities Authority Revenue Bonds, Series 1991; 3) reimburse to the Florida International University Foundation, Inc. an advance made in connection with the acquisition of the dormitories at University Park; 4) acquire, construct and equip additional dormitories; and 5) pay

certain expenses incurred in connection with the issuance of the Series 1993 Bonds. The University will make loan payments to a Trustee in amounts sufficient to pay, when due, the principal and interest on the Series 1993 Bonds. Principal and interest payments are listed in Table 6.

TABLE 6

YEAR ENDING	PRINCIPAL	INTEREST	TOTAL
1999	\$ 895,000	\$ 1,282,000	\$ 2,177,000
2000	930,000	1,246,248	2,176,248
2001	970,000	1,207,641	2,177,641
2002	1,010,000	1,166,173	2,176,173
2003	1,050,000	1,121,741	2,171,741
Later Years	22,150,000	8,672,512	30,822,512
Subtotal	\$27,005,000	\$14,696,315	\$41,701,315
Bond Disc	(445,053)		(445,053)
Total	\$26,559,947	\$14,696,315	\$41,256,262

5. COMPENSATED ABSENCES LIABILITY

Employees earn the right to be compensated during absences for annual (vacation) leave and sick leave pursuant to Section 6C-5.920, Florida Administrative Code; and pursuant to bargaining agreements between the Board of Regents and the United Faculty of Florida. Leave earned is accrued to the credit of the employee, and records are kept on each employee's unpaid (unused) leave balance. GASB Statement No. 16 requires that the University accrue a liability in the Current Funds for employees' right to receive compensation for future absences, when certain conditions are met. Whereas, State appropriations fund only the portion of accrued leave that is used, or paid, in the current fiscal year. Although the liability is expected to be funded, primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. Consequently, the recording of the liability for compensated absences, without the corresponding recognition of such future resources, results in the appearance of a reduced ability to meet current obligations. At June 30, 1998, the estimated liability for annual and sick leave is \$8,425,591 and \$7,027,448, respectively. The University's Unrestricted Current Fund Balance of \$33,850,406 as of June 30, 1998, would have been \$49,303,445 had such liability for compensated absences not been applied against it.

A current compensated absences liability has been established for the amount of leave for the new participants in the Deferred Retirement Optional Program (DROP) as of July 1, 1998, for which they are eligible to receive payment.

6. INSURANCE - RISK EXPOSURE

In accordance with a program for central insurance purchases, adopted by the Florida State Cabinet in 1969, the Department of Management Services has been granted authority to purchase insurance on behalf of all State agencies. This authority was granted with the enactment of Section 287.022, Florida Statutes. Other actions by the legislature have resulted in the development of State self-insurance funds, providing hazard insurance for property and casualty insurance for State employees workers' compensation, general liability and fleet automotive liability. The University participates in these programs. Property losses in excess of \$4 million are commercially insured up to \$300 million per loss event. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Premiums are calculated on the cash needs of the program and are based on the amount of risk exposure for each State agency. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

7. OPERATING LEASES

The University did not have any outstanding operating leases as of June 30, 1998.

8. CONSTRUCTION COMMITMENTS

The major construction commitments of the University for those projects for which the estimated cost is \$1 million or more at fiscal year end are listed in Table 7.

TABLE 7

PROJECT NUMBER	PROJECT NAME	EST. COST AT YEAR END	EXPENDED AT YEAR END	UNSPENT AT YEAR END
BR802	Student Apartment Facility	\$ 5,870,279	\$ -	\$ 5,870,279
BR804	Campus Support Complex	9,930,500	3,851,549	6,078,951
BR806	President's Residence & Event Center	1,800,000	22,680	1,777,320
BR817	Primera Casa Elevators	1,200,000	50,682	1,149,318
BR825	Central Utility Plant Expansion	2,000,650	44,836	1,955,814
BR843	University Park East Entrance Road	1,523,100	89,890	1,433,210
Total		\$22,324,529	\$4,059,637	\$18,264,892

9. STATE RETIREMENT PLANS

A. Florida Retirement System

Pursuant to Section 121.35, Florida Statutes, the Florida legislature established the Florida Retirement System to provide a retirement and survivor benefit program for participating public employees. Most employees working in regularly established positions of the University are covered by the Florida Retirement System, a state-administered, cost-sharing, multiple-employer public employee defined benefit retirement plan. Participating employers include all state departments, counties, district school boards, and community colleges. Many municipalities and special districts have elected to be participating employers.

Generally, regular employees' retirement pension benefits vest after 10 years of service, and members are eligible for normal retirement benefits at age 62 with 10 years of service, or at any age after 30 years of service which may include up to 4 years of credit for military service.

The Deferred Retirement Optional Program (DROP) is a program which an eligible member of the Florida Retirement System may elect to participate in, deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer. The deferred monthly benefit accrues on behalf of the participant, plus interest compounded monthly, for the specified period of the DROP participation. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

Employers pay all contributions for regular class employees. For the 1997-98 fiscal year, the rate assessed against regular class employee payrolls amounted to 17.43 percent from July 1, 1997 through June 30, 1998. The University's

liability for any unfunded pension benefit obligation is limited to the payment of the required contribution at the rates established by law on future payrolls of the University.

The University's 1997-98 fiscal year payroll (including matching) for all employees totaled \$165,476,709 including \$58,692,622 paid to employees who were members of the Florida Retirement System. Required contributions made to the Florida Retirement System in the 1997-98 fiscal year totaled \$10,230,124 including \$15,570 from employee contributions, which represents 17.43 and .03 percent, respectively, of covered payroll.

Additional information on the Florida Retirement System, including the ten-year historical trend information and the total unfunded pension benefit obligation, is presented in the annual financial report of the Florida Retirement System.

During the 1997-98 fiscal year, and as of June 30, 1998, the Florida Retirement System held no securities issued by the University.

B. Optional Retirement Program

Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program for eligible State University System faculty and administrators. The program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The program is designed to aid the University system in recruiting employees by offering more portability to those employees who are not expected to remain in the Florida Retirement System for 10 or more years.

The Optional Retirement 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 are allowed to make an irrevocable election to participate in the Optional Retirement Program rather than the Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant the same percentage of the participant's salary as would have been contributed to the Florida Retirement System. A portion of the total contribution is transferred to the Florida Retirement System Trust Fund to help amortize the unfunded actuarial accrued liability of the Florida Retirement System, and an additional small amount remains in

the Optional Retirement Program Trust Fund for program 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 salary reduction an amount not to exceed the percentage contributed by the University to his annuity account. There were 872 University participants during the 1997-98 fiscal year.

Required contributions made to the Optional Retirement Program in the 1997-98 fiscal year totaled \$8,179,002 including \$1,939,504 from employee contributions, which represents 17.43 and 4.10 percent, respectively, of covered payroll which totaled \$46,924,853.

During the 1997-98 fiscal year and as of June 30, 1998, the Optional Retirement Program held no securities issued by the University.

10. OTHER POSTEMPLOYMENT BENEFITS

To assist retirees of all State-administered retirement systems in paying health insurance costs, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS). During fiscal year 1997-98, the HIS program was funded by required contributions consisting of 48 percent assessed against the payroll for all active employees covered in state-administered retirement systems.

Eligible retirees, spouses, or financial dependents under any state-administered retirement system must provide proof of health insurance coverage which can include Medicare. During the fiscal year 1997-98, participants received an extra \$3 per month for each year of creditable service completed at the time of retirement. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

11. STUDENT FEES AND OTHER COLLECTIONS

A. Student and Other Fees Trust Fund

Student and Other Fees Trust Fund collections are remitted directly to the State Treasurer. Subsequently, these collections are returned to the University by state appropriation. Pursuant to generally accepted accounting principles, the total of budgeted revenues has been offset against total State appropriations reported for the Unrestricted Current Funds. The revenue categories of the actual collections and the budgeted requirement are listed in Table 8.

TABLE 8

	Actual Collections	Budgeted Requirement	Excess (Deficit)
Student Tuition & Fees:			
Matriculation	\$35,287,505	\$35,282,098	\$ 5,407
Out of State	9,380,223	9,378,786	\$ 1,437
Application	393,265	374,401	\$ 18,864
Late Applic.	316,538	181,571	\$ 134,967
Total	\$45,377,531	\$45,216,856	\$ 160,675
Research Overhead:	39,116	39,000	\$ 116
Other Revenues:			
Library Fines	75,035	88,996	\$ (13,961)
Miscellaneous	102,247	52,639	\$ 49,608
Total	\$ 177,282	\$ 141,635	\$ 35,647
TOTALS	\$45,593,929	\$45,397,491	\$ 196,438

B. Fee Waivers

In accordance with generally accepted accounting principles, student tuition and fee revenues, and scholarship and fellowship expenditures reported in the Unrestricted Current Fund on the Statement of Current Funds Revenues, Expenditures, and Other Changes have been adjusted to include the value of tuition and fee waivers. Fees waived are listed in Table 9.

C. Retained Fees

Student fees that were assessed and retained by the University and reported as revenue appear in Table 10.

D. Capital Improvement and Building Fees

In addition to the above, the student fees listed in Table 11 were assessed and collected and remitted directly to the State Treasurer on behalf of the Board of Regents. Accordingly these fees were recognized as revenue by the Board of Regents and not the University.

12. PRIOR PERIOD ADJUSTMENTS

Fund balance adjustments were made only when amounts

TABLE 9

Matriculation Fees	\$ 222,455
Out-of-State Fees	2,062,840
Total Fees Waived	\$2,285,295

TABLE 10

Athletics Fee	\$ 4,118,210
Activity & Service Fee	5,164,709
Student Financial Aid Fee	2,288,810
Health Fee	2,985,972
Total	\$14,557,701

were considered material, or if there was a change in accounting practices. Reference APB #9 and #20 and FASB-16. All other non-material adjustments were reported through current year operations. A fund balance adjustment of \$1,567,508 was made to the unexpended plant fund to reflect retainage on construction contracts that was not reported on the financial statements during fiscal year 1996-97. In accordance with GASB Statement No. 31, a fund balance adjustment of \$924,359 was made in the Retirement of Indebtedness to reflect the cumulative effect at July 1, 1997 of reporting the fair value of investments from deposits held by a trustee on behalf of the University. In the Investment in Plant Fund, an adjustment of \$1,789,728 was made to beginning fund balance for retainage from construction contracts and to reconcile to the audited fund balance from the prior year.

13. INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental transactions of Auxiliary Service Departments, and other Institutional Departments, have been accounted for as reductions of expenditures and not revenues of the Auxiliary Service Departments.

14. FUNCTIONAL DISTRIBUTION OF EXPENDITURES

The Educational and General expenditures on the Statement of Current Funds Revenues, Expenditures and Other Changes are determined by applying the primary PCS or activity code set forth by the Board of Regents to the total expenditures for each department.

TABLE 11

FEE	BEGINNING BALANCE	COLLECTED	REMITTED	A/R ADJ	BALANCE DUE
Capital Improvement	\$ 53,055	\$1,562,139	\$1,555,755	\$ (6,862)	\$ 52,577
Building Fee	50,446	1,485,292	1,479,222	(6,525)	49,991
Total	\$103,501	\$3,047,431	\$3,034,977	\$ (13,387)	\$102,568

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