STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-188
March 2019

FLORIDA INTERNATIONAL UNIVERSITY

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Mark B. Rosenberg served as President of Florida International University and the following individuals served as Members of the Board of Trustees:

[a] Member's term expired on 1-5-18. Vice Chair position was vacant through 6-30-18.
[b] Student Body President.
[c] Faculty Senate Chair.

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

The team leader was Kirenia Nieto, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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FLORIDA INTERNATIONAL UNIVERSITY

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Florida International University (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Florida 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, 2018. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida International University and of its aggregate discretely presented component units as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida International University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

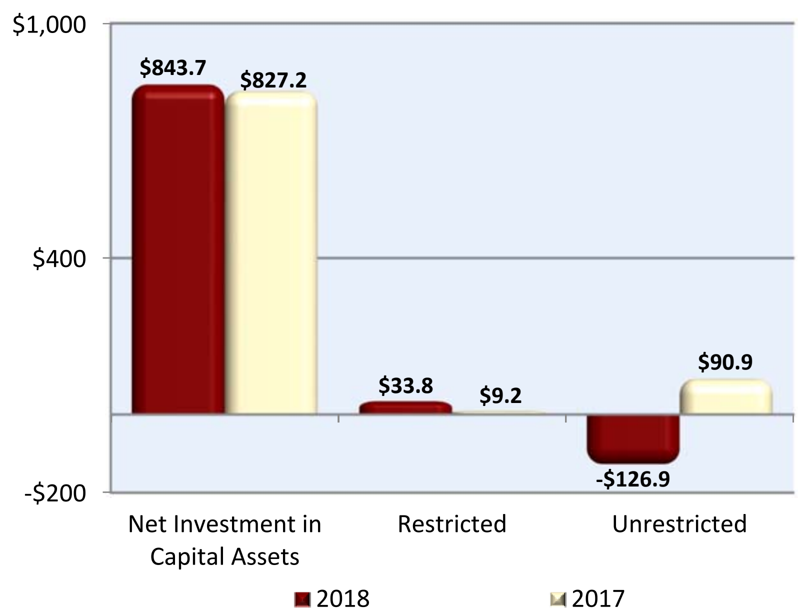
The University's assets and deferred outflows of resources totaled $1.6 billion at June 30, 2018. This balance reflects an increase of $75 million, or 4.9 percent, as compared to the 2016-17 fiscal year, resulting from an increase in combined cash and cash equivalents and investments of $27.4 million, a net increase in receivables of $20.3 million, a net increase in capital assets of $8.6 million, an increase in other current assets of $0.4 million, and an increase in deferred outflows of resources of $18.3 million. Liabilities and deferred inflows of resources also increased by $251.6 million, or 42.5 percent, totaling $843 million at June 30, 2018, resulting from increases in current liabilities of $0.7 million, noncurrent liabilities of $203.3 million and deferred inflows of resources of $47.6 million. As a result, the University's net position decreased by $176.7 million, resulting in a year-end balance of $750.6 million. The increases in deferred outflows, inflows of resources, and noncurrent liabilities, and the decrease in net position were principally due to pension-related activity as required to be reported by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The initial adoption of GASB Statement No. 75 also resulted in an adjustment to beginning net position of $207.2 million.

The University's operating revenues totaled $521.3 million for the 2017-18 fiscal year, representing a $1.8 million, or 0.3 percent increase compared to the 2016-17 fiscal year. Major components of operating revenues are student tuition and fees, auxiliary enterprise revenues, and Federal grants and contracts. The overall increase in operating revenue is mainly due to increases in Federal grants and contracts revenue of $13.8 million, and auxiliary enterprise revenue of $2.6 million. These increases were offset by a decrease in net student tuition and fees revenue of $16.5 million. Operating expenses totaled $1 billion for the 2017-18 fiscal year, representing an increase of $48.4 million, or 5 percent, as compared to the 2016-17 fiscal year due mainly to increases in compensation and employee benefits of $21.7 million, scholarships, fellowships, and waivers of $16.6 million, and services and supplies of $10.2 million.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:

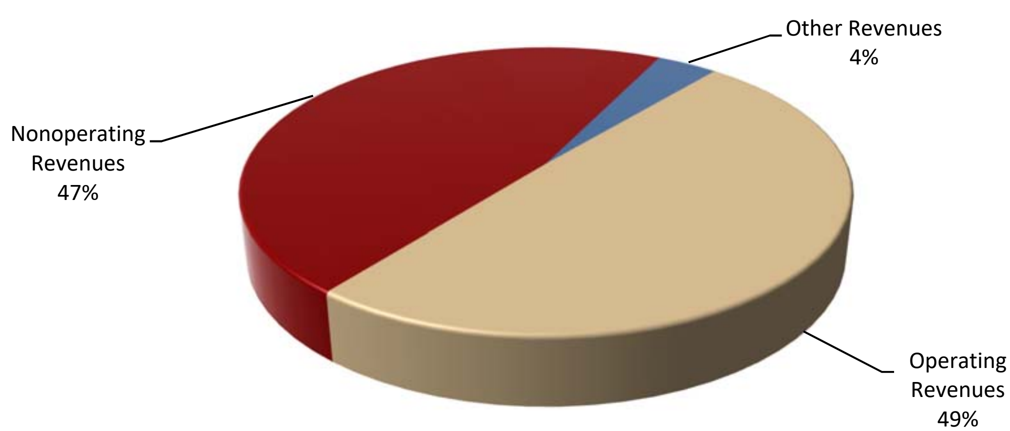
Net Position

(In Millions)



The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:

Total Revenues
2017-18 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

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

- Florida International University Foundation, Inc. (Foundation)

- FIU Athletics Finance Corporation (Finance Corporation)
- Florida International University Academic Health Center Care Network Faculty Group Practice, Inc. (Health Care Network)

Based on the application of the criteria for determining component units, the Foundation, Finance Corporation, and Health Care Network are included within the University reporting entity as discretely presented component units. Information regarding these discretely presented 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 discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Millions)

	2018	2017
Assets		
Current Assets	$ 454.3	$ 407.5
Capital Assets, Net	995.8	987.2
Other Noncurrent Assets	18.2	17.0
Total Assets	1,468.3	1,411.7
Deferred Outflows of Resources	125.3	107.0
Liabilities		
Current Liabilities	70.3	69.6
Noncurrent Liabilities	723.6	520.3
Total Liabilities	793.9	589.9
Deferred Inflows of Resources	49.1	1.5
Net Position		
Net Investment in Capital Assets	843.7	827.2
Restricted	33.8	9.2
Unrestricted	(126.9)	90.9
Total Net Position	$ 750.6	$ 927.3

Total assets as of June 30, 2018, increased by $56.6 million, or 4 percent. This increase is mainly due to an increase in combined cash and cash equivalents and investments of $27.4 million primarily driven by the reinvestment of realized gains of $25.1 million on the sale of investments. Also contributing to the increase in total assets is an increase in receivables of $20.3 million consisting of $12.7 million due from the State for new capital appropriations for construction projects, and $7.6 million from students, grants and contracts, and component units, along with a net increase in capital assets of $8.6 million. Deferred outflows of resources increased $18.3 million due to the annual recognition of the University's proportionate share of the actuarially determined amounts related to the Florida Retirement System (FRS) pension plans and other postemployment benefits payable (OPEB). Total liabilities as of June 30, 2018, increased by $204 million, or 34.6 percent. This increase is primarily due to an increase of $189.2 million and $22.5 million for the University's proportionate share of OPEB and FRS net pension liabilities, respectively. Similarly, there was an increase in deferred inflows of resources by $47.6 million also resulting from pension and OPEB related activity.

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

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

The following summarizes the University’s activity for the 2017-18 and 2016-17 fiscal years:

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

(In Millions)

	2017-18	2016-17
Operating Revenues	$ 521.3	$ 519.5
Less, Operating Expenses	1,014.5	966.1
Operating Loss	(493.2)	(446.6)
Net Nonoperating Revenues	483.5	420.2
Loss Before Other Revenues	(9.7)	(26.4)
Other Revenues	40.2	19.7
Net Increase (Decrease) In Net Position	30.5	(6.7)
Net Position, Beginning of Year	927.3	934.0
Adjustment to Beginning Net Position (1)	(207.2)	-
Net Position, Beginning of Year, as Restated	720.1	934.0
Net Position, End of Year	$ 750.6	$ 927.3

(1) As discussed in Notes 2. and 3. to the financial statements, the University’s beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

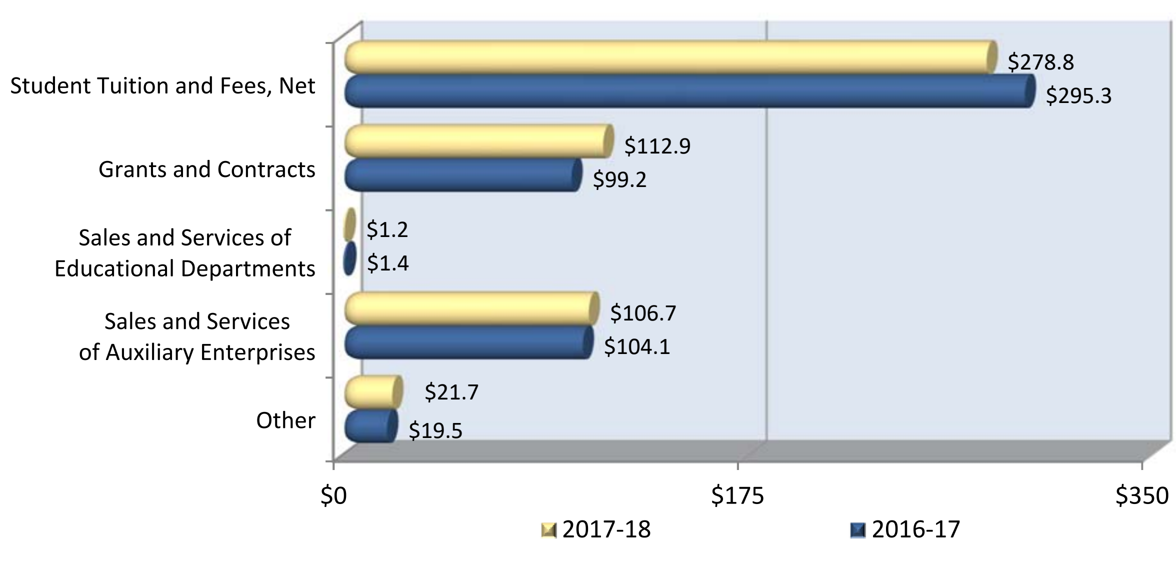
(In Millions)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 278.8	$ 295.3
Grants and Contracts	112.9	99.2
Sales and Services of Educational Departments	1.2	1.4
Sales and Services of Auxiliary Enterprises	106.7	104.1
Other	21.7	19.5
Total Operating Revenues	$ 521.3	$ 519.5

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Millions)



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

- Net student tuition and fees revenue decreased $16.5 million or 5.6 percent. The decrease was the result of an increase in student tuition and fees of $12.8 million due to increases in undergraduate student enrollment, tuition differential revenue and out of state student tuition, offset by an increase in scholarship allowance of $29.3 million. The increase in scholarship allowance was driven by financial aid funding provided by the State of Florida Student Assistance

Grants (FSAG) and Bright Futures Scholarships. In addition, as a result of changes in Pell regulations, Pell Grant amounts offered increased from 100 percent to 150 percent of scheduled awards for an academic year.

- Grants and contracts overall revenue increased $13.7 million. This resulted primarily from increased revenue earned from federal grants including $3.4 million from new subcontract with Angola Cables S.A., $2.4 million from TIGER grant for bridge construction project expenses, $2 million from HIV/AIDS and Adolescent Brain Cognitive development research, and $1.2 million from subcontract with TI Sparkle Americas Inc.
- Sales and Services of Auxiliary Enterprises revenue increased $2.6 million, primarily due to an increase of $2.3 million from cost plus program revenue.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

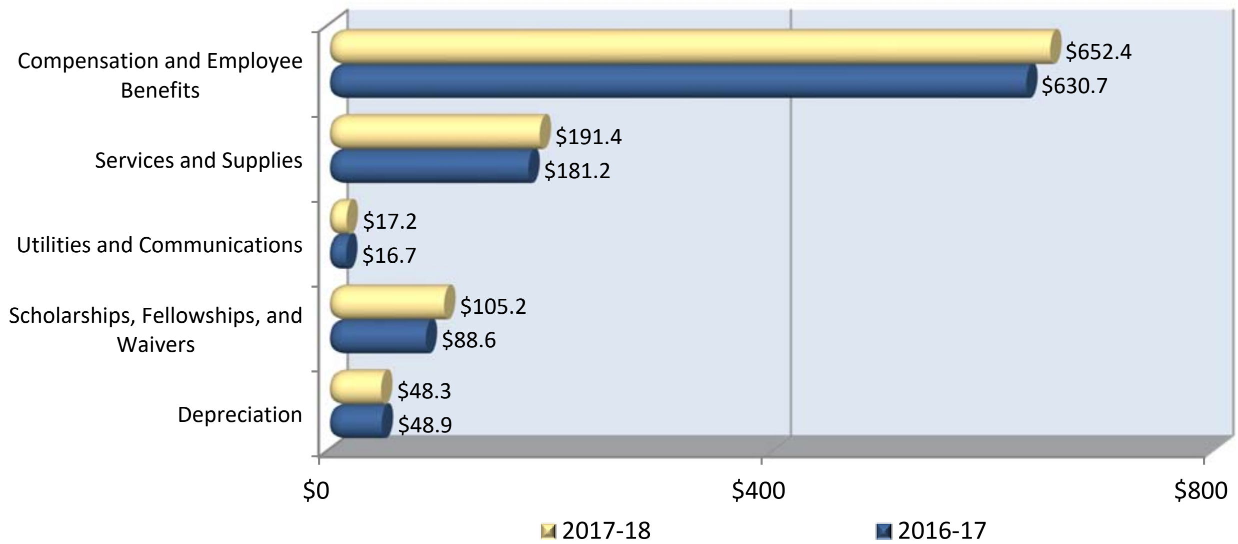
Operating Expenses
For the Fiscal Years

(In Millions)

	2017-18	2016-17
Compensation and Employee Benefits	$ 652.4	$ 630.7
Services and Supplies	191.4	181.2
Utilities and Communications	17.2	16.7
Scholarships, Fellowships, and Waivers	105.2	88.6
Depreciation	48.3	48.9
Total Operating Expenses	$ 1,014.5	$ 966.1

The following chart presents the University's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
(In Millions)



Changes in operating expenses were the result of the following factors:

- Compensation and employee benefits increased $21.7 million, or 3.4 percent. This was primarily due to an increase in the number of employees combined with a 2 percent across the board salary increase and a 0.5 percent merit increase for eligible employees. Additionally, there were increases of $3.2 million in pension expenses and $3.2 million in employee health insurance costs.
- Services and supplies expenses increased $10.2 million, or 5.6 percent. The increase was primarily the result of increases in contractual services of $7.1 million, due to higher than expected costs incurred on Federal research projects and FEMA submission preparation. In addition, the University incurred additional expenses related to repairs of damages caused by Hurricane Irma, and the relocation of Athletics teams during and after the Hurricane.
- Scholarships, fellowships, and waivers expenses increased by $16.6 million, or 18.7 percent. The increase was primarily due to additional funding of $21.6 million and $20.1 million in Pell Grant program and FSAG and Bright Futures programs, respectively. These increases were offset by $29.3 million in incremental expenses that were classified to the scholarship allowance.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Millions)

	2017-18	2016-17
State Noncapital Appropriations	$ 294.6	$ 278.0
Federal and State Student Financial Aid	151.3	110.9
Nonoperating Donations	26.4	23.7
Investment Income	16.7	13.7
Other Nonoperating Revenues	2.0	1.7
Loss of Disposal of Capital Assets	(0.6)	(0.4)
Interest on Capital Asset-Related Debt	(6.8)	(7.2)
Other Nonoperating Expenses	(0.1)	(0.2)
Net Nonoperating Revenues	$ 483.5	$ 420.2

Net nonoperating revenues increased by $63.3 million, due mainly to the following:

- State noncapital appropriations increased $16.6 million, or 6 percent, due to increases of $8.9 million for the Professional and Graduate Degree Program, $7.2 million for the World Class Faculty and Scholar Program, $2.2 million of incremental funding for the Board of Governor's performance model, $3.6 million of incremental appropriations for risk management insurance, health insurance premiums, and retirement benefits and $0.6 million for operational support. These increases were offset by a reduction of $3.7 million for prior year specific legislative line items that were non-recurring as well as a decrease of recurring special appropriations of $2.2 million.
- Federal and State student financial aid increased by $40.4 million, or 36.4 percent, primarily driven by increased funding for Pell Grants of $19.3 million, FSAG of $13.1 million and Bright Future Scholarships of $7 million.
- Nonoperating donations consisting of $2.7 million received from the Foundation, during the 2017-18 fiscal year.
- Investment income increased by $3 million, or 21.9 percent, mainly due to higher investment returns during the 2017-18 fiscal year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Millions)

	2017-18	2016-17
State Capital Appropriations	$ 33.0	$ 16.7
Capital Grants, Contracts, Donations, and Fees	7.2	3.0
Total	$ 40.2	$ 19.7

Total other revenues increased by $20.5 million, or 104.1 percent, due to a $16.3 million increase in State capital appropriations revenue earned for capital projects and a $4.2 million increase in capital grants and donations.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Millions)

	2017-18	2016-17
Cash Provided (Used) by:		
Operating Activities	$ (411.1)	$ (351.5)
Noncapital Financing Activities	470.7	414.1
Capital and Related Financing Activities	(48.8)	(48.6)
Investing Activities	(11.5)	(10.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(0.7)	3.6
Cash and Cash Equivalents, Beginning of Year	7.7	4.1
Cash and Cash Equivalents, End of Year	$ 7.0	$ 7.7

Major sources of funds came from proceeds from sales and maturities of investments ($1.1 billion), State noncapital appropriations ($294.6 million), net student tuition and fees ($275 million), Federal Direct Student Loan receipts ($261.5 million), Federal and State student financial aid ($177.1 million), grants and contracts ($112.3 million), sales and services of auxiliary enterprises ($106 million), and State capital appropriations ($19 million). Major uses of funds were for purchases of investments ($1.2 billion), payments made to and on behalf of employees ($616.4 million), disbursements to students for Federal Direct Student Loans ($263.2 million), payments to suppliers ($207.5 million), payments to and on behalf of students for scholarships and fellowships ($105.2 million), and purchases of capital assets ($61.2 million).

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2018, the University had $1.6 billion in capital assets, less accumulated depreciation of $608.6 million, for net capital assets of $995.8 million. Depreciation charges for the current fiscal year totaled $48.3 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Millions)

	2018	2017
Land	$ 30.7	$ 30.7
Works of Art and Historical Treasures	5.6	4.9
Construction in Progress	87.4	72.4
Buildings	788.1	790.9
Infrastructure and Other Improvements	17.4	18.9
Furniture and Equipment	41.7	40.8
Library Resources	24.0	27.3
Leasehold Improvements	0.2	0.3
Computer Software	0.7	1.0
Capital Assets, Net	$ 995.8	$ 987.2

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, 2018, were incurred on the following projects: $10.7 million for the Recreation and Wellness Center expansion, $5.3 million for Auxiliary Construction Projects, $4.8 million for the Satellite Chiller Plant expansion, and $4.6 million for the Athletic Practice Fields. The University's construction commitments at June 30, 2018, are as follows:

	Amount (In Millions)
Total Committed	$ 129.9
Completed to Date	(87.4)
Balance Committed	$ 42.5

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

Debt Administration

As of June 30, 2018, the University had $152.1 million in outstanding capital improvement debt payable and installment purchase payable, representing a decrease of $7.9 million, or 4.9 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)

	2018	2017
Capital Improvement Debt	$ 150.6	$ 158.1
Installment Purchase Payable	1.5	1.9
Total	$ 152.1	$ 160.0

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Florida's economy continues to recover and grow albeit at a slower rate than previous years. General revenue collections for fiscal year 2017-18 were on target with State estimates and grew 5.5 percent over the prior year. The State forecasts general revenue will continue to grow at an average annual rate of 3.5 percent and will generate sufficient available funds to cover critical needs and other high priority expenditures through fiscal year 2019-20. State estimates indicate modest surpluses of $52 million and $223.4 million in fiscal years 2018-19 and 2019-20 respectively, followed by a shortfall of $47.8 million in fiscal year 2020-21. The total financial impact to the State from Hurricane Irma has not yet been fully quantified; however, it is likely the net loss to the State will exceed losses from calendar year 2005 of $203.3 million. The losses can be covered out of reserves, which the State estimates at $1.48 billion and $1.22 billion in the Budget Stabilization Fund and the General Revenue Reserve, respectively in the fiscal year 2018-19.

The Legislature continues to support Higher Education and provide funding for various programs and initiatives. During the 2018 Legislative Session, the Legislature introduced Senate Bill 4 or the "Florida Excellence in Higher Education Act of 2018" which was signed into law by the Governor. Senate Bill 4 aims to enhance State University quality and accessibility; key items include expanded student financial aid, World Class Faculty and Scholar Program to recruit and retain exemplary faculty and research scholars, State University Professional and Graduate Degree Excellence Program to enhance the quality and excellence of professional and graduate schools and degree programs, and changes to the Performance Funding Model.

The Legislature provided an additional $20 million for the World Class Faculty Scholar Program and another $10 million for the State University Professional and Graduate Degree Excellence Program, of which FIU received $2.1 million and $1.9 million, respectively. Under Senate Bill 4, the Legislature changed the graduation and access rate metrics of the Performance Based funding model and charged the State University System (SUS) with providing recommendations on, "a process to achieve a complete performance-based continuous improvement-funding model." The Legislature provided the SUS with $560 million in performance funds, a $40 million increase over the prior year, which represents a State investment of $265 million and SUS investment of base funds of $295 million. FIU placed second among public universities in the State with 90 points and received a total of $73.7 million, an increase of $15.4 million over the prior year's allocation. Additionally, FIU received $1.2 million for retirement and risk management insurance pass-throughs, and $9 million in special appropriations. Consistent with prior years, tuition rates at all levels remain unchanged for the 2018-19 fiscal year.

The Governor, Legislature, and Florida Board of Governors continue to emphasize affordability and accountability to ensure a positive return on the tax dollars invested in the SUS. As an anchor institution in the community, FIU is committed to providing students with a relevant education, which will prepare them to make significant contributions to the development of the community in South Florida and the State at large.

REQUESTS FOR INFORMATION

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

FLORIDA INTERNATIONAL UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,687,948	$ 23,618,866
Investments	357,752,454	273,402,841
Accounts Receivable, Net	31,789,033	65,312,469
Loans and Notes Receivable, Net	448,094	-
Due from State	52,854,951	-
Due from Component Units/University	3,871,264	298,105
Inventories	426,138	-
Other Current Assets	427,883	1,734,318
Total Current Assets	454,257,765	364,366,599
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	314,639	-
Restricted Investments	8,263,076	2,716,694
Loans and Notes Receivable, Net	1,495,776	-
Depreciable Capital Assets, Net	872,102,556	16,279,829
Nondepreciable Capital Assets	123,675,822	1,428,350
Due from Component Units/University	8,239,864	-
Other Noncurrent Assets	-	18,148,491
Total Noncurrent Assets	1,014,091,733	38,573,364
Total Assets	1,468,349,498	402,939,963
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	5,991,113	-
Pensions	119,280,962	-
Accumulated Decrease in Fair Value of Hedging Derivatives	-	1,254,826
Deferred Amount on Debt Refundings	-	221,504
Total Deferred Outflows of Resources	125,272,075	1,476,330
LIABILITIES		
Current Liabilities:		
Accounts Payable	27,062,217	2,167,636
Construction Contracts Payable	2,611,054	-
Salary and Wages Payable	13,471,553	-
Deposits Payable	3,719,290	-
Due to State	144,127	-
Due to Component Units/University	157,460	3,691,018
Unearned Revenue	6,317,012	1,192,249
Other Current Liabilities	381,671	191,741
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	1,325,000
Capital Improvement Debt Payable	7,829,422	-
Notes Payable	-	865,000
Installment Purchase Payable	483,565	-
Compensated Absences Payable	3,694,967	-
Liability for Self-Insured Claims	97,467	-
Other Postemployment Benefits Payable	2,964,000	-
Net Pension Liability	1,406,387	-
Total Current Liabilities	70,340,192	9,432,644

FLORIDA INTERNATIONAL UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	27,265,000
Capital Improvement Debt Payable	142,752,056	-
Notes Payable	-	2,897,228
Installment Purchase Payable	985,448	-
Compensated Absences Payable	43,664,260	-
Due to Component Units/Universty	-	8,239,864
Unearned Revenues	36,334,903	155,000
Liability for Self-Insured Claims	101,497	-
Other Postemployment Benefits Payable	274,370,000	-
Net Pension Liability	223,128,124	-
Other Long-Term Liabilities	2,250,717	9,086,317
Total Noncurrent Liabilities	723,587,005	47,643,409
Total Liabilities	793,927,197	57,076,053
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	39,272,825	-
Pensions	9,852,335	-
Total Deferred Inflows of Resources	49,125,160	-
NET POSITION		
Net Investment in Capital Assets	843,727,887	13,348,894
Restricted for Nonexpendable:		
Endowment	-	217,434,299
Restricted for Expendable:		
Debt Service	2,860,232	-
Loans	702,755	-
Capital Projects	20,112,458	-
Other	10,056,501	109,058,945
Unrestricted	(126,890,617)	7,498,102
TOTAL NET POSITION	$ 750,569,216	$ 347,340,240

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

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FLORIDA INTERNATIONAL UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $165,856,295	$ 278,847,841	$ -
Federal Grants and Contracts	86,374,912	-
State and Local Grants and Contracts	8,926,858	-
Nongovernmental Grants and Contracts	17,586,950	-
Sales and Services of Educational Departments	1,198,182	-
Sales and Services of Auxiliary Enterprises ($31,053,449 Pledged for Housing Facility Capital Improvement Debt and $15,698,898 Pledged for the Parking Facility Capital Improvement Debt)	106,670,183	-
Sales and Services of Component Units	-	9,277,000
Gifts and Donations	-	27,362,527
Interest on Loans and Notes Receivable	62,829	-
Other Operating Revenues	21,598,748	9,159,674
Total Operating Revenues	521,266,503	45,799,201
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	652,444,684	-
Services and Supplies	191,321,182	35,929,181
Utilities and Communications	17,180,857	221,324
Scholarships, Fellowships, and Waivers	105,216,564	-
Depreciation	48,336,811	769,651
Other Operating Expenses	-	12,916,257
Total Operating Expenses	1,014,500,098	49,836,413
Operating Loss	(493,233,595)	(4,037,212)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	294,595,900	-
Federal and State Student Financial Aid	151,326,876	-
Noncapital Grants, Contracts, and Gifts	26,379,957	-
Investment Income	16,675,564	19,947,525
Other Nonoperating Revenues	2,021,027	-
Loss on Disposal of Capital Assets	(595,300)	-
Interest on Capital Asset-Related Debt	(6,840,289)	(1,510,824)
Other Nonoperating Expenses	(99,500)	-
Net Nonoperating Revenues	483,464,235	18,436,701
Income (Loss) Before Other Revenues and Expenses	(9,769,360)	14,399,489
State Capital Appropriations	33,049,878	-
Capital Grants, Contracts, Donations, and Fees	7,202,632	-
Other Expenses	-	(1,746,722)
Increase in Net Position	30,483,150	12,652,767
Net Position, Beginning of Year	927,300,388	334,687,473
Adjustment to Beginning Net Position	(207,214,322)	-
Net Position, Beginning of Year, as Restated	720,086,066	334,687,473
Net Position, End of Year	$ 750,569,216	$ 347,340,240

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, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 275,047,973
Grants and Contracts	112,278,857
Sales and Services of Educational Departments	1,198,182
Sales and Services of Auxiliary Enterprises	106,040,229
Interest on Loans and Notes Receivable	63,004
Payments to Employees	(616,443,855)
Payments to Suppliers for Goods and Services	(207,479,388)
Payments to Students for Scholarships and Fellowships	(105,216,564)
Payments on Self-Insured Claims	(24,834)
Loans Issued to Students	(4,197,270)
Collection on Loans to Students	4,384,242
Other Operating Receipts	23,264,316
Net Cash Used by Operating Activities	(411,085,108)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	294,595,900
Federal and State Student Financial Aid	177,067,877
Federal Direct Loan Program Receipts	261,468,001
Federal Direct Loan Program Disbursements	(263,239,719)
Operating Subsidies and Transfers	327,991
Net Change in Funds Held for Others	132,100
Other Nonoperating Receipts	710,636
Other Nonoperating Disbursements	(314,316)
Net Cash Provided by Noncapital Financing Activities	470,748,470
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	18,995,876
Capital Grants, Contracts, Donations and Fees	6,914,112
Other Receipts for Capital Projects	1,310,392
Capital Subsidies and Transfers	(49,988)
Purchase or Construction of Capital Assets	(61,187,890)
Principal Paid on Capital Debt	(7,672,561)
Interest Paid on Capital Debt	(7,139,711)
Net Cash Used by Capital and Related Financing Activities	(48,829,770)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,120,616,983
Purchases of Investments	(1,162,494,864)
Investment Income	30,322,698
Net Cash Used by Investing Activities	(11,555,183)
Net Decrease in Cash and Cash Equivalents	(721,591)
Cash and Cash Equivalents, Beginning of Year	7,724,178
Cash and Cash Equivalents, End of Year	$ 7,002,587

FLORIDA INTERNATIONAL UNIVERSITY
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (493,233,595)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	48,336,811
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(5,302,310)
Inventories	(44,856)
Other Assets	(390,821)
Accounts Payable	1,226,926
Salaries and Wages Payable	(213,858)
Deposits Payable	1,178,191
Compensated Absences Payable	2,425,871
Unearned Revenue	1,118,743
Liability for Self-Insured Claims	24,972
Other Postemployment Benefits Payable	(20,497,000)
Net Pension Liability	22,453,378
Deferred Outflows of Resources Related to Other Postemployment Benefits	(3,475,435)
Deferred Inflows of Resources Related to Other Postemployment Benefits	39,272,825
Deferred Outflows of Resources Related to Pensions	(12,331,281)
Deferred Inflows of Resources Related to Pensions	8,366,331
NET CASH USED BY OPERATING ACTIVITIES	$ (411,085,108)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized loss on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (13,797,448)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (595,300)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 279,271

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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

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 to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida International University Foundation, Inc. (Foundation) – The purpose of the Foundation is to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of the University and its objectives.
- FIU Athletics Finance Corporation (Finance Corporation) – The purpose of the Finance Corporation includes the support to the University in matters pertaining to the financing of the University's football stadium and, subsequently, the management and operation of the facility.
- Florida International University Academic Health Center Care Network Faculty Group Practice, Inc. (Health Care Network) – The purpose of the Health Care Network is to improve and support health education at the University.

The financial activities of the Florida International University Research Foundation, Inc. (Research Foundation) are not included in the University's financial statements. The purpose of the Research Foundation includes the promotion and encouragement of, and assistance to, the research and training activities of faculty, staff, and students of the University. It receives 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. The total assets and operating revenues related to the Research Foundation are $151,986 and $10,000 respectively. The amounts represent less than 1 percent of the total aggregate component units' assets and operating revenues.

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

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by 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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting except for the Foundation, which follows FASB standards of accounting and financial reporting not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated.

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

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand 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 Foundation to concentrations of credit risk consist principally of cash and cash equivalents in banks, investments, and promises to give.

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

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

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, leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $250 for library resources, $5,000 for tangible personal property, and $50,000 for new buildings, leasehold improvements, 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
- Leasehold Improvements – Various based on lease terms
- Computer Software – 5 years

Depreciable assets of the Foundation are stated at cost and are net of accumulated depreciation of $6,956,868. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Depreciable assets of the Finance Corporation are stated at cost and are net of accumulated depreciation of $40,150. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5 years).

Depreciable assets of the Health Care Network are stated at cost and are net of accumulated depreciation of $337,119. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 15 years.

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, installment purchase payable, compensated absences payable, other postemployment benefits payable, unearned revenues, liability for self-insurance claims, net pension liabilities, and other long-term liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium and deferred losses on refunding. The University amortizes debt premiums over the life of the debt using the straight-line method. Deferred losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $207,214,322 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by $209,730,000 to $297,831,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75. The adjustment to beginning net position includes $2,515,678 for the establishment of beginning deferred outflows of resources.

4. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below.

Fund	Net Position
Current Funds - Unrestricted	$ (349,319,681)
Auxiliary Funds	222,429,064
Total	$ (126,890,617)

As shown in the following schedule, this deficit can be attributed primarily to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time and financed by future appropriations:

		Amount
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflow of Resources, and Deferred Inflows of Resources		$ 346,190,206
Amount expected to be Financed in Future Years:		
Compensated Absences	$ 47,359,227	
Other Post Employment Benefits Payable and Related Deferred Outflows of Resources, and Deferred Inflows of Resources	310,615,712	
Net Pension Liability and Related Deferred Outflows of Resources, and Deferred Inflows of Resources	115,105,884	
Total Amount Expected to be Financed in Future Years		(473,080,823)
Total Unrestricted Net Position		$ (126,890,617)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; 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; and other investments approved by the 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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are valued using a matrix pricing model and represent significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The University's investment in money market funds are reported at amortized cost of $117,379,504 according to GASB Statement No. 72.

The University's investments at June 30, 2018, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 11,059,555	$ -	$ -	$ 11,059,555
SBA Debt Service Accounts	2,563,076	2,563,076	-	-
Mutual Funds				
Equities	22,968,968	8,743,181	14,225,787	-
Fixed Income and Bond Mutual Funds	143,481,767	39,900,433	91,487,847	12,093,487
Commodities	12,063,458	-	12,063,458	-
Other Investments	6,307,545	-	-	6,307,545
Total investments by fair value level	$ 198,444,369	$ 51,206,690	$ 117,777,092	$ 29,460,587
Investments measured at the net asset value (NAV)				
Limited Partnerships	33,011,143			
Equities	17,180,514			
Total investments measured at NAV	50,191,657			
Total investments measured at fair value	$ 248,636,026			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Partnerships	$ 33,011,143	$ -	Quarterly/Annually	90 Days
Equities	17,180,514	6,926,880	Illiquid	N/A
Total investments measured at the NAV	$ 50,191,657			

Limited Partnerships: This category includes investments in a fund that invests in a portfolio of limited partnerships. The managers pursue multiple strategies to diversify risk and reduce volatility. The fair values of the investments have been determined by using the NAV per share of the investments. Redemption requests are received quarterly and require a 90-day written notice. Proceeds of the redemption, up to 90 percent, are available 27 calendar days after the redemption. The remaining 10 percent of the funds, in a complete liquidation, are available on the first week of April, after the redemption.

Equities: This category includes investments in two private equity funds. Each fund invests in equity securities and debt of the private companies or conduct buyouts of public companies that result in a delisting of public equity. The nature of the investment in this category prohibits redemptions through the duration of the partnerships, which range between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds.

External Investment Pools.

The University reported investments at fair value totaling $11,059,555 at June 30, 2018, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years, and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts.

The University reported investments totaling $2,563,076 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Fixed Income and Bond Mutual Funds.

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

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, 2018, are as follows:

University Debt Investment Maturities

Type of Investment	Fair Market Value	Investment Maturities (In Years) Less Than 1	1-5	6-10	More Than 10
Short Term Bond Fund	$ 10,230,526	$ 2,169,166	$ 8,061,360	$ -	$ -
Bond Index Fund	29,669,908	301,468	12,611,672	11,759,135	4,997,633
TIPS Index Fund	37,297,269	7,459	14,191,611	16,388,420	6,709,779
Core Fixed Income	29,432,139	1,697,041	9,719,613	12,910,559	5,104,926
Credit Fixed Income	24,758,439	3,903,215	4,964,742	8,822,275	7,068,207
Secured Bank Loans	12,093,486	24,187	2,503,351	9,541,761	24,187
Total	$ 143,481,767	$ 8,102,536	$ 52,052,349	$ 59,422,150	$ 23,904,732

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018, the securities held in the fixed income and bond mutual funds had credit quality ratings by a nationally-recognized agency (i.e., Standard & Poor's or Moody's), as follows:

University Debt Investment Credit Quality Ratings

Type of Investment	Fair Value	AAA / Aaa	AA / Aa	A	BBB / Baa to Not Rated
Short Term Bond Fund	$ 10,230,526	$ 3,938,982	$ 859,333	$ 2,148,332	$ 3,283,879
Bond Index Fund	29,669,908	20,879,955	1,028,924	3,498,343	4,262,686
TIPS Index Fund	37,297,269	37,297,269	-	-	-
Core Fixed Income	29,432,139	19,342,646	405,106	2,765,290	6,919,097
Credit Fixed Income	24,758,439	2,479,657	1,300,796	6,777,830	14,200,156
Secured Bank Loans	12,093,486	-	-	-	12,093,486
Total	$ 143,481,767	$ 83,938,509	$ 3,594,159	$ 15,189,795	$ 40,759,304

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.

<u>Discretely Presented Component Unit Investments</u>.

The Foundation's investments at June 30, 2018, are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Equities	$ 6,670,014	$ 6,670,014	$ -	$ -
Global Equities	25,104,065	25,104,065	-	-
Fixed Income	35,540,842	35,540,842	-	-
Real Assets	7,439,797	7,439,797	-	-
Total investments by fair value level	$ 74,754,718	$ 74,754,718	$ -	$ -
Investments measured at the net asset value (NAV)				
Domestic Equities	36,836,095			
Global Equities	55,557,878			
Fixed Income	3,141,112			
Real Assets	3,873,846			
Hedge Funds	58,576,215			
Private Investments	40,000,230			
Total investments measured at NAV	197,985,376			
Total investments measured at fair value	$ 272,740,094			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equities:				
Domestic Equities	$ 36,836,095	$ -	Monthly/Quarterly	5 - 45 Days
Global Equities	46,410,356	-	Monthly/Quarterly	6 - 60 Days
Emerging Markets	9,147,522	-	Monthly	7 - 30 Days
Fixed Income:				
Domestic Fixed Income	3,139,912	-	Daily	2 Days
Global Bonds	1,200	-	Monthly	10 Days
Real Assets:				
Natural Resource Equities	3,873,846	-	Monthly	30 Days
Hedge Funds:				
Fund of Funds	30,200	-	Quarterly	90 Days
Long/Short Equity	34,525,093	-	Quarterly - Every 3 Years	30 - 180 Days
Event Driven/Open Mandate	16,147,072	-	Quarterly - Annually	30 - 90 Days
Global Macro	7,873,850	-	Monthly	3 - 14 Days
Private Investments:				
Private Equity	22,454,969	14,358,081	Illiquid	N/A
Venture Capital	17,545,261	2,494,428	Illiquid	N/A
Total Investments Measured at the NAV	$ 197,985,376	$ 16,852,509		

Net Asset Value.

The investments held at net asset value reflect:

Domestic equities: This category includes investments in publicly listed equities of companies domiciled in the U.S.

Global equities: This category includes investments in publicly listed equities of companies domiciled globally.

Emerging markets: This category includes investments in publicly listed equities of companies listed in markets which have been categorized as emerging.

Domestic fixed income: This category includes investments in publicly traded debt instruments traded in the U.S.

Global bonds: This category includes investments in globally listed public debt instruments.

Natural resources equities: This category includes investments in publicly listed equities of companies that derive a substantial portion of their operations from natural resources related business operations.

Fund of funds: This category includes investments in hedge funds that invest in a portfolio of other hedge funds.

Long/short equity: This category includes investments in hedge funds that invest domestically and globally in both long and short common stocks across all market capitalizations. These investments offer a low correlation to traditional long-only equity benchmarks in order to achieve absolute return. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.

Event driven/open mandate: This category includes investments in hedge funds that invest in event-driven strategies including merger arbitrage, distressed debt, and convertible arbitrage to achieve returns.

Global macro: This category includes investments in hedge funds that invest in global macro strategies including long and short equities, currencies, commodities, etc. based on evaluation of macroeconomic trends.

Private equity: This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies or conduct buyouts of public companies that result in a delisting of public equity. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds.

Venture capital: This category includes investments in several limited partnership funds that invest in early-stage, high-potential startup companies or small businesses that do not have access to public funding. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received when underlying companies are exited via acquisition or IPO.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018, the Finance Corporation money market mutual fund investments were rated AAAm by Standards & Poor's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer. The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities

Investor Protection Corporation, subject to various limitations. At June 30, 2018, approximately $287,000,000 was held in these accounts. The Foundation believes that the number, diversity, and financial strength of the issuers mitigates the credit risks associated with all investments.

The Finance Corporation also maintains investment accounts with financial institutions that are not insured by the FDIC. These investments are made in accordance with the trust indenture. Money market fund shares are not guaranteed by the Federal government. Investments are reported at fair value of $3,379,441 at June 30, 2018. The Finance Corporation believes that the number, diversity, and financial strength of the issuers mitigate the credit risks associated with all investments.

All of the Finance Corporation's investments at June 30, 2018, are held with Regions Morgan Keegan and are invested in money market funds. According to the bond indenture, the Finance Corporation can invest the bond proceeds in these investment vehicles; there are not stated limitations on the amount that can be invested in any one issuer. The short-term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses and debt service payments.

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. A portfolio's weighted average days to maturity (WAM) reflects the average maturity in days based on the final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the fund to interest rate changes. A portfolio's weighted average life (WAL) calculation is based on a security's stated final maturity date or, when relevant, the date of the next demand feature when the fund may receive payment of principal and interest. WAL reflects how a portfolio would react to deteriorating credit or tightening liquidity conditions. The Finance Corporation's money market mutual fund's WAM at June 30, 2018, is 26 days while the WAL is 83 days.

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 20,171,341
Contracts and Grants	11,039,179
Other	578,513
Total Accounts Receivable, Net	**$ 31,789,033**

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of $8,797,052 and $1,533,598, respectively, at June 30, 2018.

7. Due From State

The amount due from State consists of $20,119,096 of Public Education Capital Outlay, $10,034,416 of Capital Improvement Fee Trust Fund and $22,701,439 of General Revenues allocations for construction of University facilities.

8. Due From and To Component Units/University

The University's financial statements are reported for the fiscal year ended June 30, 2018. One component unit is not presented (see Note 1.). Additionally, component units' due from and due to amounts include receivables and payables between the various component units. Accordingly, amounts reported by the University as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the University.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 30,689,426	$ -	$ -	$ 30,689,426
Works of Art and Historical Treasures	4,903,238	706,236	9,000	5,600,474
Construction in Progress	72,441,734	40,443,995	25,499,807	87,385,922
Total Nondepreciable Capital Assets	$ 108,034,398	$ 41,150,231	$ 25,508,807	$ 123,675,822
Depreciable Capital Assets:				
Buildings	$ 1,147,966,551	$ 25,499,807	$ 255,080	$ 1,173,211,278
Infrastructure and Other Improvements	35,474,503	-	-	35,474,503
Furniture and Equipment	140,715,414	11,729,720	6,339,873	146,105,261
Library Resources	117,133,008	4,536,381	91,121	121,578,268
Leasehold Improvements	752,567	-	-	752,567
Computer Software	3,508,736	52,833	17,249	3,544,320
Total Depreciable Capital Assets	1,445,550,779	41,818,741	6,703,323	1,480,666,197
Less, Accumulated Depreciation:				
Buildings	357,100,376	28,160,530	100,265	385,160,641
Infrastructure and Other Improvements	16,567,432	1,505,941	-	18,073,373
Furniture and Equipment	99,895,945	10,428,330	5,910,574	104,413,701
Library Resources	89,837,311	7,832,559	91,122	97,578,748
Leasehold Improvements	450,428	65,921	-	516,349
Computer Software	2,492,361	343,530	15,062	2,820,829
Total Accumulated Depreciation	566,343,853	48,336,811	6,117,023	608,563,641
Total Depreciable Capital Assets, Net	$ 879,206,926	$ (6,518,070)	$ 586,300	$ 872,102,556

10. Unearned Revenue

Unearned revenue at June 30, 2018, includes contracts and grant payments received in advance, nonrefundable admission fees, prepaid stadium rental income received from the Finance Corporation, research services center fees, deferred rent, conference center fees, land use fees, and athletic revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 3,015,120
Admission Fees	1,502,790
Stadium Rental Income	1,304,083
Research Service Center Fees	159,121
Deferred Rent	146,382
Conference Center Fees	122,267
Land Use Fees	52,381
Athletic Revenues	14,868
Total Unearned Revenue	$ 6,317,012

11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include capital improvement debt payable, installment purchase payable, compensated absences payable, other postemployment benefits payable, the long-term portion of unearned revenues, liability for self-insured claims, net pension liability, and other long-term liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 158,075,900	$ -	$ 7,494,422	$ 150,581,478	$ 7,829,422
Installment Purchase Payable	1,946,574	-	477,561	1,469,013	483,565
Compensated Absences Payable	44,933,356	5,518,021	3,092,150	47,359,227	3,694,967
Other Postemployment Benefits Payable (1)	297,831,000	26,809,000	47,306,000	277,334,000	2,964,000
Unearned Revenue	36,044,103	1,900,000	1,609,200	36,334,903	-
Liability for Self-Insured Claims	173,992	49,389	24,417	198,964	97,467
Net Pension Liability	202,081,133	139,255,396	116,802,018	224,534,511	1,406,387
Other Long-Term Liabilities	2,384,877	-	134,160	2,250,717	-
Total Long-Term Liabilities	$ 743,470,935	$ 173,531,806	$ 176,939,928	$ 740,062,813	$16,475,808

(1) OPEB Beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note 3.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2018:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2011A Student Apartments Refunding	$ 22,210,000	$ 13,479,308	3.00 - 5.00	2025
2012A Student Apartments	53,655,000	48,604,141	3.00 - 4.25	2041
2015A Student Apartments Refunding	29,105,000	24,926,481	3.00 - 5.00	2034
Total Student Housing Debt	104,970,000	87,009,930		
Parking Garage Debt:				
2009B Parking Garage	28,915,000	25,920,000	5.40 - 6.875	2039
2013A Parking Garage	48,365,000	37,651,548	3.00 - 5.25	2043
Total Parking Garage Debt	77,280,000	63,571,548		
Total Capital Improvement Debt	$ 182,250,000	$ 150,581,478		

(1) Amount outstanding includes unamortized premiums and deferred losses on refunding issues.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and an assessed transportation fee per student to repay $182,250,000 in capital improvement (housing and parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct parking garages and student housing facilities. The bonds are payable solely from housing rental income, parking fees, and an assessed transportation fees per student and are payable through 2043. The University has committed to appropriate each year from the housing rental income, parking fees, and assessed transportation fees per student, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $229,451,016, and principal and interest paid for the current year totaled $14,312,585. During the 2017-18 fiscal year, housing rental income totaled $31,053,449, and parking fees totaled $15,698,898, comprised of traffic and parking fees totaling $4,752,998, and assessed transportation fees totaling $10,945,900.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 7,530,000	$ 6,768,605	$ 14,298,605
2020	7,280,000	6,412,865	13,692,865
2021	7,610,000	6,069,390	13,679,390
2022	7,885,000	5,793,268	13,678,268
2023	6,535,000	5,459,217	11,994,217
2024-2028	33,890,000	23,148,415	57,038,415
2029-2033	30,170,000	16,187,444	46,357,444
2034-2038	28,470,000	8,970,725	37,440,725
2039-2043	19,025,000	2,246,087	21,271,087
Subtotal	148,395,000	81,056,016	229,451,016
Net Premiums and Losses on Bond Refundings	2,186,478	-	2,186,478
Total	$ 150,581,478	$ 81,056,016	$ 231,637,494

Installment Purchase Payable. The University has entered into an installment purchase agreement for the purchase of equipment totaling $2,425,770. The stated interest rate is 1.2515 percent. Future minimum payments remaining under installment purchase agreement and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 499,686
2020	499,686
2021	499,686
Total Minimum Payments	1,499,058
Less, Amount Representing Interest	30,045
Present Value of Minimum Payments	$ 1,469,013

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $47,359,227. The current portion of the compensated absences liability, $3,694,967, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. 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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $277,334,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. At June 30, 2017, the University's proportionate share, determined by its proportion of total benefit payments made, was 2.57 percent, which was an increase of 0.05 from its proportionate share measured as of June 30, 2016.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	
PPO Plan	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
HMO Plan	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated Assumptions for the FRS July 1, 2016, Actuarial Valuation were approved by the 2016 FRS Actuarial Assumptions Conference.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claim costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Healthcare inflation rates have been updated to reflect the recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.
- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption in either of the two most recent FRS valuations. The rates are those outlined in the Milliman's July 1, 2016, FRS valuation report.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.58 percent. The prior GASB Statement No. 45 valuation used 4.00 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the total OPEB liability	$348,240,000	$277,334,000	$223,715,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$218,192,000	$277,334,000	$359,015,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of $18,264,390. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 39,272,825
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	3,027,113	-
Transactions subsequent to the measurement date	2,964,000	-
Total	$ 5,991,113	$ 39,272,825

Of the total amount reported as deferred outflows of resources related to OPEB, $2,964,000 resulting from benefits payments and administration expense subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (5,177,955)
2020	(5,177,955)
2021	(5,177,955)
2022	(5,177,955)
2023	(5,177,955)
Thereafter	(10,355,937)
Total	$(36,245,712)

Unearned Revenue. Long-term unearned revenue at June 30, 2018, includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida department of Education to spend the funds. Also included are prepaid stadium rental income received from the Finance Corporation, a National Institute of Health grant, land use fees, and other unearned revenues received prior fiscal year-end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as long-term unearned revenue:

Description	Amount
Stadium Rental Income	$ 18,148,491
State Capital Appropriations	10,000,000
National Institute of Health Grant	5,700,000
Land Use Fees	1,908,807
Other Unearned Revenue	577,605
Total Unearned Revenue	$ 36,334,903

Net Pension Liability. As a participating employer in the FRS, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the University's proportionate share of the net pension liabilities totaled $224,534,511. Note 14. includes a complete discussion of defined benefit pension plans.

Other Long-Term Liabilities. Other long-term liabilities primarily represent the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or have excess cash in the loan program.

12. Discretely Presented Component Units Debt Issues

Notes Payable – Florida International University Foundation, Inc.

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

The bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 18.). The $13 million original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The bond proceeds were used to acquire, construct, and equip a multi-function support complex located on the Modesto A. Maidique campus and to pay issuance costs. As of June 30, 2018, the outstanding principal balance due under this note payable was $3.8 million. For the year ended June 30, 2018, total interest incurred and paid was $126,130.

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

The bonds were repurchased by the Trustee under a commercial bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the bank converted the variable rate demand bonds into a 5-year tax exempt qualified loan. After the initial 5-year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional 5-year period. The Foundation agrees to pay interest at a rate of 67 percent of the 1-month London Interbank Offered Rate (LIBOR) plus 1.68 percent. The bond maturity date of May 1, 2022 remains unchanged. On July 30, 2010, the Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments.

The aggregate maturities of the notes payable, as of June 30, 2018, are shown in the following table:

Fiscal Year Ending June 30	Amount
2019	$ 865,000
2020	910,000
2021	960,000
2022	1,075,000
Total	$ 3,810,000

Notes Payable – The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. - Related Party Transaction.

On August 27, 2010, the Health Care Network entered into a loan agreement totaling $5,321,198 with the University in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other University clinical activities. In June of 2015 the Health Care Network renegotiated the loan agreement with the University and borrowed an additional $3,015,652. The total loaned by the University to Health Care Network is $8,633,962. Interest on the loan accrues at 2 percent simple interest and the loan is scheduled to mature in June 2036.

Estimated principal and interest payments for the life of the amounts due to the University based on the balances as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 327,991	$ 154,312	$ 482,303
2020	339,374	147,752	487,126
2021	351,033	140,965	491,998
2022	362,973	133,944	496,917
2023	375,202	126,685	501,887
2024-2028	2,069,966	515,763	2,585,729
2029-2033	2,422,636	94,991	2,517,627
2034-2036	1,466,439	55,826	1,522,265
Total	$ 7,715,614	$ 1,370,238	$ 9,085,852

Bonds Payable – FIU Athletics Finance Corporation.

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

These bonds were issued and secured under and pursuant to the Trust Indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and nonoperating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis.

On December 21, 2016, the Finance Corporation entered into four amendments to the trust indenture between Miami-Dade Authority and the Trustee which authorized the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds. The first amendment authorizes the reissuance of $9,000,000 Series 2009A-1 Bond. The interest rate on the Series 2009A-1 Bonds shall be at a rate equal to 2.8 percent per annum. The second, third, and fourth amendments authorized the reissuance of separate series of the Series 2009A Bonds in a principal amount of $8,400,000 (Series 2009A-2), $8,400,000 (Series 2009A-3) and $4,200,000 (Series 2009A-4), respectively. The interest rates on these Series 2009A bonds shall be at a rate equal to the sum of 63.7 percent of the 3-month LIBOR plus 1.40 percent.

The bonds are secured by operating and nonoperating revenues as well as University athletic fees, not to exceed 5 percent of the total athletic fees collected. Total principal due at June 30, 2018, was $28,590,000.

The Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund currently totals $2,716,694 and is included in restricted investments.

Prior to the December 2016 reissuance, the Finance Corporation was required to maintain minimum deposits of $1,000,000 with a bank. As part of the amendment on December 21, 2016, the Finance Corporation agreed to use approximately $1,000,000 currently on deposit with the Trustee to pay in full the outstanding balance of the Series 2009B Bonds.

The interest rate on these bonds is both fixed and variable and is subject to a swap agreement (see Note 13.) that was entered into to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

The aggregate maturities of these bonds as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 1,325,000	$ 1,253,958	$ 2,578,958
2020	1,445,000	1,198,426	2,643,426
2021	1,505,000	1,131,936	2,636,936
2022	1,580,000	1,066,013	2,646,013
2023	1,645,000	996,845	2,641,845
2024-2028	9,520,000	3,834,954	13,354,954
2029-2032	11,570,000	1,454,692	13,024,692
Total	$ 28,590,000	$ 10,936,824	$ 39,526,824

13. Derivative Financial Instruments – Discretely Presented Component Units

The Finance Corporation 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. The interest rate swap agreement entered into by the Finance Corporation is discussed below.

FIU Athletics Finance Corporation.

Objectives. As a means to lower its borrowing costs and increase its savings, the Finance Corporation entered into an interest rate swap agreement in connection with its $30,000,000 2009A Miami-Dade County Industrial Development Authority Revenue Bond issuance. The intention of the interest rate swap agreement was to effectively change the Finance Corporation's variable interest rate on the bonds to a synthetic fixed rate of 5.50 percent, which is the fixed rate payable by the Finance Corporation under the interest rate swap agreement of 3.60 percent plus 1.90 percent.

Terms. On December 22, 2009, the Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on $21,000,000 of the principal amount of the 2009A bonds. This represents the fixed portion of the tax exempt bonds payable mentioned above. Under the interest rate swap agreement, the Finance Corporation agrees to pay a fixed rate of 3.60 percent and receive a variable rate equal to 63.7 percent of the 3-month LIBOR. The interest rate swap agreement has a maturity date of March 1, 2033.

Fair Value. As of June 30, 2018, the Finance Corporation interest rate swap agreement has a derivative liability of $2,683,290 as included with reported other long-term liabilities in the statement of net position. The negative fair value was determined using Mark-to-Market Value and represents the closing mid-market values. It was classified in Level 2 of the fair value hierarchy at June 30, 2018.

As of June 30, 2018, the fair value of the Series 2007A ineffective interest rate swap agreement was $1,428,464, which is included with reported other long-term liabilities. This interest rate swap agreement was not terminated when the bonds were refunded in December 2009 nor in December 2016. The interest rate on the refunding Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap agreement. Accordingly, the fair value of $1,428,464 of the ineffective Series 2007A interest rate swap agreement is being amortized over the remaining life of the refunding Series 2009A bonds.

The synthetic instrument method evaluates the effectiveness of a potential hedging derivative instrument by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Finance Corporation determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap agreement is presented in the component units column of the statement of net position as a deferred outflows of resources in the amount of $1,254,826.

Credit Risk. As of June 30, 2018, the Finance Corporation was not exposed to credit risk because the interest rate swap agreement had a negative fair value. However, should interest rates change and the fair value of the interest rate swap agreement become positive, the Finance Corporation would be exposed to credit risk in the amount of the derivative's fair value. The interest rate swap agreement counterparty was rated A2 by Moody's Investors Service, A- by Standard & Poor's and BBB+ by Fitch ratings at June 30, 2018.

Basis Risk. Basis risk arises when different indexes are used in connection with a derivative. Given that both the bond and the interest rate swap agreement are based on 63.7 percent of the 3-month LIBOR rate, there is limited basis risk.

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

Swap Payments and Associated Debt. Using rates as of June 30, 2018, debt service requirements of the variable-rate portion of the debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

Fiscal Year Ending June 30	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2019	$ 950,000	$ 672,021	$ 333,250	$ 1,955,271
2020	995,000	639,826	319,907	1,954,733
2021	1,040,000	606,107	300,563	1,946,670
2022	1,090,000	570,862	283,086	1,943,948
2023	1,135,000	533,923	264,768	1,933,691
2024-2028	6,500,000	2,056,052	1,022,934	9,578,986
2029-2033	8,120,000	849,939	331,976	9,301,915
Total	$ 19,830,000	$ 5,928,730	$ 2,856,484	$ 28,615,214

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

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $38,895,741 for the fiscal year ended June 30, 2018.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled $17,686,866 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $172,260,097 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.582366480 percent, which was an increase of 0.00476259 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $34,031,150. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,809,332	$ 954,232
Change of assumptions	57,891,554	-
Net difference between projected and actual earnings on FRS Plan investments	-	4,269,036
Changes in proportion and differences between University contributions and proportionate share of contributions	14,139,356	-
University FRS contributions subsequent to the measurement date	17,686,866	-
Total	$ 105,527,108	$ 5,223,268

The deferred outflows of resources totaling $17,686,866, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 14,278,226
2020	29,096,928
2021	19,172,451
2022	4,041,200
2023	11,683,152
Thereafter	4,345,017
Total	$ 82,616,974

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	$311,780,372	$172,260,097	$56,426,304

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $2,720,447 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $52,274,414 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.488890375 percent, which was an increase of 0.006370452 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of $4,864,591. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 108,844
Change of assumptions	7,347,985	4,520,223
Net difference between projected and actual earnings on HIS Plan investments	28,990	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	3,656,432	-
University HIS contributions subsequent to the measurement date	2,720,447	-
Total	$ 13,753,854	$ 4,629,067

The deferred outflows of resources totaling $2,720,447, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 1,745,163
2020	1,739,677
2021	1,737,044
2022	1,220,788
2023	526,482
Thereafter	(564,814)
Total	$ 6,404,340

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	**Current Discount Rate (3.58%)**	**1% Increase (4.58%)**
University's proportionate share of the net pension liability	$59,652,029	$52,274,414	$46,129,269

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

15. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $3,066,817 for the fiscal year ended June 30, 2018.

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 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $20,293,279, and employee contributions totaled $12,477,171 for the 2017-18 fiscal year.

16. Construction Commitments

The University's major construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
University City Prosperity Project (1)	$ 12,247,766	$ 6,226,745	$ 6,021,021
Parkview Housing Phase II	5,000,000	186	4,999,814
Housing Projects	7,103,517	3,408,699	3,694,818
Auxiliary Projects	23,291,682	19,087,566	4,204,116
Subtotal	47,642,965	28,723,196	18,919,769
Projects with Balance Committed Under $3 Million	82,294,065	58,662,726	23,631,339
Total	$ 129,937,030	$ 87,385,922	$ 42,551,108

(1) On March 15, 2018, while under construction, the pedestrian bridge connecting the Modesto A. Maidique Campus with the City of Sweetwater suffered a total collapse, which brought construction to a halt. Per the grant agreement, the University is required to complete the project.

17. Operating Lease Commitments

The University leased building space under operating leases, which expire in 2034. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Included in the annual payments below are the minimum payments required for the operating lease due to the Foundation as described in Note 18. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 6,469,576
2020	6,611,754
2021	6,695,687
2022	5,724,525
2023	2,950,979
2024-2028	8,507,846
2029-2033	5,833,946
2034	1,341,032
Total Minimum Payments Required	$ 44,135,345

18. Operating Lease Commitments – Related Party Transactions

Florida International University Foundation, Inc.

On December 1, 1999, the former Board of Regents of the State University System of the State of Florida for and on behalf of the University entered into a ground lease agreement with the Foundation. Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the Modesto A. Maidique campus. The consideration required to be paid by the Foundation is $10 annually. The ground lease will expire on December 31, 2024, or on the date the Foundation makes its final payment under a letter of credit agreement related to the financing of the facility. Total amounts paid to the Foundation under this agreement were $1,635,027 for the year ended June 30, 2018.

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 position; 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, 2018:

Fiscal Year Ending June 30	Amount
2019	$ 1,418,000
2020	1,418,000
2021	1,418,000
2022	1,418,000
Total Minimum Payments Required	$ 5,672,000

FIU Athletics Finance Corporation.

The University and the Finance Corporation entered into two 25-year ground sublease agreements dated April 1, 2007, rendering the rights to the Finance Corporation to issue a series of capital improvement bonds of which a portion of the proceeds, along with contributions from the University, was used to finance a stadium improvement project located on University premises. Under this agreement, the Finance Corporation prepaid to the University, for rental of the premises, the sum of $31,937,211.

The following schedule by years represents management's best estimate of future minimum rental expense that will be recognized for these sublease agreements:

Fiscal Year Ending June 30	Amount
2019	$ 1,304,083
2020	1,304,083
2021	1,304,083
2022	1,304,083
2023	1,304,083
2024-2028	6,520,416
2029-2033	6,411,743
Total Minimum Payments Required	$ 19,452,574

19. 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 through to July 2021, at which time it can be renewed for an additional period of ten years.

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 position in the year in which the items are acquired, or as temporarily or permanently restricted net position if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net position classes.

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

The gifts are conditional upon the provisions outlined in the Agreement including, but not limited to, the Foundation continuing the museum and educational activities and operations that were conducted by the

Wolfsonian. As a result of the Agreement, the University and Foundation have assumed all administrative functions and operating costs of the Wolfsonian.

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, and to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of approximately $3.1 million during the 2017-18 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 $0.2 million during the 2017-18 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

20. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $92.5 million for named windstorm and flood through February 14, 2018, and decreased to $78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insurance Program.

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

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides $1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; $250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; $250,000 per claim protection for participants who engage in approved community service or act as Good Samaritans; and student professional liability coverage not to exceed a per occurrence limit of $1,000,000 if such limits are required by an affiliated hospital or healthcare affiliate.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported.

Changes in the balances of claims liability for the Self-Insurance Program during the 2016-17 and 2017-18 fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2017	$ 207,160	$ (18,997)	$ (14,171)	$ 173,992
June 30, 2018	173,992	49,389	(24,417)	198,964

21. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 320,540,259
Research	126,770,075
Public Services	10,600,450
Academic Support	110,984,150
Student Services	66,956,909
Institutional Support	97,221,857
Operation and Maintenance of Plant	64,631,067
Scholarships, Fellowships, and Waivers	105,216,564
Depreciation	48,336,811
Auxiliary Enterprises	63,241,956
Total Operating Expenses	$ 1,014,500,098

22. 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 Position

	Housing Facilty Capital Improvement Debt	Parking Facilty Capital Improvement Debt
Assets		
Current Assets	$ 25,969,155	$ 9,211,667
Capital Assets, Net	125,264,911	100,772,119
Other Noncurrent Assets	12,283	3,534,519
Total Assets	151,246,349	113,518,305
Liabilities		
Current Liabilities	5,606,962	4,327,032
Noncurrent Liabilities	82,955,884	60,122,761
Total Liabilities	88,562,846	64,449,793
Net Position		
Net Investment in Capital Assets	38,238,382	37,888,638
Restricted - Expendable	12,282	3,271,454
Unrestricted	24,432,839	7,908,420
Total Net Position	$ 62,683,503	$ 49,068,512

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

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Operating Revenues	$ 31,053,449	$ 15,698,898
Depreciation Expense	(3,804,481)	(2,928,209)
Other Operating Expenses	(18,574,498)	(7,651,892)
Operating Income	8,674,470	5,118,797
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	295,675	121,065
Interest Expense	(3,357,216)	(3,460,948)
Other Nonoperating Expense	-	(1,681)
Net Nonoperating Expenses	(3,061,541)	(3,341,564)
Income before Transfers	5,612,929	1,777,233
Net Transfers	-	557,059
Capital Grants	-	567,765
Increase in Net Position	5,612,929	2,902,057
Net Position, Beginning of Year	57,070,574	46,166,455
Net Position, End of Year	$ 62,683,503	$ 49,068,512

Condensed Statement of Cash Flows

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	$ 11,419,355	$ 8,027,616
Noncapital Financing Activities	69,033	8,657
Capital and Related Financing Activities	(12,511,552)	(7,469,619)
Investing Activities	1,152,369	352,800
Net Increase in Cash and Cash Equivalents	129,205	919,454
Cash and Cash Equivalents, Beginning of Year	1,816,646	1,347,625
Cash and Cash Equivalents, End of Year	$ 1,945,851	$ 2,267,079

23. Discretely Presented Component Units

The University has 3 discretely presented component units. As discussed in Note 1., the financial activities of the Research Foundation are not included in the component units' columns of the financial statements. The 3 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:

Condensed Statement of Net Position

	Direct-Support Organizations			
	Florida International University Foundation, Inc.	**FIU Athletics Finance Corporation**	**Florida International University Academic Health Center Care Network Faculty Group Practice, Inc.**	**Total**
Assets:				
Current Assets	$ 354,748,200	$ 2,956,845	$ 6,661,554	$ 364,366,599
Capital Assets, Net	17,424,279	69,350	214,550	17,708,179
Other Noncurrent Assets	-	20,865,185	-	20,865,185
Total Assets	372,172,479	23,891,380	6,876,104	402,939,963
Deferred Outflows of Resources	-	1,476,330	-	1,476,330
Liabilities:				
Current Liabilities	4,548,290	1,763,105	3,121,249	9,432,644
Noncurrent Liabilities	9,455,255	30,800,531	7,387,623	47,643,409
Total Liabilities	14,003,545	32,563,636	10,508,872	57,076,053
Net Position:				
Net Investment in Capital Assets	13,064,994	69,350	214,550	13,348,894
Restricted Nonexpendable	217,434,299	-	-	217,434,299
Restricted Expendable	109,058,945	-	-	109,058,945
Unrestricted	18,610,696	(7,265,276)	(3,847,318)	7,498,102
Total Net Position	$ 358,168,934	$ (7,195,926)	$ (3,632,768)	$ 347,340,240

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

	Direct-Support Organizations			
	Florida International University Foundation, Inc.	FIU Athletics Finance Corporation	Florida International University Academic Health Center Care Network Faculty Group Practice, Inc.	Total
Operating Revenues	$ 33,374,461	$ 4,053,083	$ 8,371,657	$ 45,799,201
Depreciation Expense	(679,022)	(21,900)	(68,729)	(769,651)
Operating Expenses	(41,385,945)	(2,318,927)	(5,361,890)	(49,066,762)
Operating Income (Loss)	(8,690,506)	1,712,256	2,941,038	(4,037,212)
Net Nonoperating Revenues (Expenses):				
Investment Income	19,908,559	38,966	-	19,947,525
Interest Expense	(126,130)	(1,224,044)	(160,650)	(1,510,824)
Net Nonoperating Revenues (Expenses)	19,782,429	(1,185,078)	(160,650)	18,436,701
Other Revenues, Expenses, Gains, and Losses	-	(300,000)	(1,446,722)	(1,746,722)
Increase in Net Position	11,091,923	227,178	1,333,666	12,652,767
Net Position, Beginning of Year	347,077,011	(7,423,104)	(4,966,434)	334,687,473
Net Position, End of Year	$ 358,168,934	$ (7,195,926)	$ (3,632,768)	$ 347,340,240

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2017 (1)
University's proportion of the total other postemployment benefits liability	2.57%
University's proportionate share of the total other postemployment benefits liability	$ 277,334,000
University's covered-employee payroll	$ 388,298,438
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	71.42%

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

Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.582366480%	0.577603890%	0.567528557%	0.525779099%	0.380516592%
University's proportionate share of the FRS net pension liability	$ 172,260,097	$ 145,845,435	$ 73,303,925	$ 32,080,257	$ 65,503,841
University's covered payroll (2)	$ 388,298,438	$ 370,763,486	$ 355,458,891	$ 332,597,433	$ 305,657,917
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	44.36%	39.34%	20.62%	9.65%	21.43%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 17,686,866	$ 15,160,433	$ 14,085,792	$ 13,836,828	$ 11,516,793
FRS contributions in relation to the contractually required contribution	(17,686,866)	(15,160,433)	(14,085,792)	(13,836,828)	(11,516,793)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 402,854,082	$ 388,298,438	$ 370,763,486	$ 355,458,891	$ 332,597,433
FRS contributions as a percentage of covered payroll	4.39%	3.90%	3.80%	3.89%	3.46%

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

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

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.488890375%	0.482519923%	0.472534740%	0.449262551%	0.417849098%
University's proportionate share of the HIS net pension liability	$ 52,274,414	$ 56,235,698	$ 48,191,110	$ 42,007,145	$ 36,379,258
University's covered payroll (2)	$ 168,353,927	$ 147,667,524	$ 140,089,301	$ 130,882,051	$ 118,388,264
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	31.05%	38.08%	34.40%	32.10%	30.73%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 2,720,447	$ 2,587,349	$ 2,473,222	$ 1,806,322	$ 1,539,022
HIS contributions in relation to the contractually required HIS contribution	(2,720,447)	(2,587,349)	(2,473,222)	(1,806,322)	(1,539,022)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 156,730,885	$ 168,353,927	$ 147,667,524	$ 140,089,301	$ 130,882,051
HIS contributions as a percentage of covered payroll	1.74%	1.54%	1.67%	1.29%	1.18%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. (Refer to Note 11. to the financial statements for further detail.)

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 22, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 22, 2019