



FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2012 - 2013



Florida State University Annual Report 2012-2013

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This year marked a turning point at Florida State University as we embarked on a new era of change and growth to achieve the highest level of quality in our history and produce graduates who are exceptionally prepared for the marketplace.

Dr. Eric J. Barron

Official designation as one of two “preeminent” universities in the state by the Florida Legislature and Florida Board of Governors was a significant achievement that will propel the institution forward toward its goal of becoming a Top 25 university.

In 2013, Florida State rose again in the *U.S. News & World Report* quality rankings, from 42 to 40 among public universities. While improving quality even further, our actions this year served to elevate Florida State’s reputation.

In many areas, we already keep company with the Top 25 high-quality, research institutions. Our graduation performance rate – how many students we graduate compared to how many we might be expected to graduate based on a number of factors – is ranked 4th in the nation by *U.S. News & World Report*. This is an incredible achievement and a testament to our talented faculty and staff.

We are 17th in the nation in retaining freshmen, 19th in student acceptance, 13th in students’ verbal SAT scores and 9th in the nation in alumni giving – reflecting that alumni value their Florida State college experience. We have an 87 percent graduation rate among student-veterans compared to 60 percent nationally. This demonstrates our commitment to student-veterans and highlights our efforts at engagement.

Ranked most efficient university in delivering quality in the United States by *U.S. News*, we already have proven we know how to efficiently spend every dollar. The areas where we need to improve to reach a Top 25 ranking all have to do directly with resources.

In the past two years, we have added more than 100 new faculty members and will spend \$6 million in preeminence funding the first year to hire more faculty. We will spend \$1 million to attract National Academy members – \$3 million over the next five years. Hiring more faculty will improve our strength in the STEM fields and will improve our overall student/faculty ratio.

In addition, we unveiled a comprehensive, seven-point plan this year that has become a state model for addressing student career success by focusing on: creating a culture of entrepreneurship that crosses the entire university; clearing the way for patents, licensing and start-up companies; investing in faculty areas mostly likely to create new jobs; playing a greater leadership role in the economic development of the Tallahassee region; partnering with FAMU and TCC to attract employers by ensuring their workforce needs can be met; embedding career success within the curriculum; and making the most of our nationally recognized Career Center.

We acquired the Donald L. Tucker Civic Center this year – and we have big plans. The surrounding property is being transformed into a vibrant area featuring Legacy Hall, a new home for our outstanding College of Business. The Dedman School of Hospitality will be relocated to the site, and the university will build a hotel. This will provide excellent hands-on experience for our hospitality students.

Along with the interdisciplinary “Big Ideas” associated with our philanthropic efforts, all of these strategies came together in 2013, creating tremendous new synergy on campus.

Our focus on academic excellence is not only intended to move FSU higher in the national rankings, but more importantly to foster student success. The achievements we already have made are sweeping through the university in a powerful way.

The future looks extremely bright.



Florida State University experienced a tremendous amount of success and growth during the 2012-13 fiscal year. We continue to rise in national rankings, increase our research endeavors, add to the quality of students' education, and boldly pursue transformational "Big Ideas."

Kyle C. Clark

Since my arrival in September, I have had the opportunity to see first-hand the high level of enthusiasm shared by so many for this great institution as well as the depth of expertise and breadth of innovation that exists across Florida State University.

The past year brought many accomplishments and accolades for Florida State which have set the stage for the continued strategic advancement of the institution and the continued enhancement of our national reputation and rankings.

Aiming for the Top 25 & Preeminent University Designation

Florida State University once again advanced in the *U.S. News & World Report* public university rankings this year and is currently listed as 40th among all public universities. That is an unparalleled increase of six-places in just the past two years, continuing our trajectory toward the top 25. The State of Florida officially designated Florida State University as one of the state's preeminent universities this year and provided additional funding in support of our strategies and to enhance our national prominence. Criteria for preeminence encompasses 12 metrics by which universities are evaluated. We met 11 out of 12 of these requirements.

The Most Efficient University

Florida State was named the "most efficient university in the nation in delivering quality" by *U.S. News*. This recognition is based on our high level of overall operating efficiency and our quality ranking. According to the "Best Colleges" rankings, Florida State tops the list with efficient spending while also delivering an incredibly diverse, rich, and life-changing experience to our students, faculty and staff. This distinction underscores our long commitment to providing an affordable world-class education.

The Donald L. Tucker Center

The Donald L. Tucker Center, commonly referred to as the Civic Center, officially became a Florida State University owned facility in July 2012. We have already made substantial renovations and improvements to the Tucker Center and continue to move forward with a bold plan for a new convention and entertainment district in the years to come. Our goal is to provide Tallahassee with a signature venue for Florida State and our entire community – providing opportunities to enhance the overall experience, attract more tourists, as well as improve the variety of events, conferences, trade shows, and concerts that come to the capital city for the benefit of the entire Tallahassee community.

Enhancing Our Student Residence Halls

Florida State's newest student residence building, Traditions Hall, opened this year. The apartment-style units, located at 945 Learning Way, are intended for upperclassmen and graduate students. This hall, which can accommodate up to 276 students, is another example of our ongoing commitment to our students and their total education experience. We are also excited about our new multiphase "University Housing Replacement Project". This project, which will accommodate 431 students, is scheduled to be completed by summer 2015.

SACS Re-accreditation

Significant effort and time was spent this year preparing for re-accreditation with the Southern Association of Colleges and Schools, Commission on Colleges (SACSCOC). Reaffirmation is a University-wide initiative that occurs once every 10 years and involves demonstrating compliance with the SACS Principles of Accreditation and the preparation of an extensive Quality Enhancement Plan (QEP). The time and effort put into preparing for re-accreditation demonstrates our commitment to higher education and our desire to continuously improve the quality of the institution.

I am truly proud and honored to be a part of the Florida State University family and look forward to all the possibilities and opportunities that the coming years will bring.

Go Noles!

University Overview



MISSION

Florida State University (the University) is a comprehensive, graduate-research university with a liberal arts base. It offers undergraduate, graduate, advanced graduate and professional programs of study; conducts extensive research; and provides service to the public. The University's primary role is to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs.

In accordance with the University's mission, faculty members have been selected for their commitment to excellence in teaching, their ability in research and creative activity and their interest in public service.

Given its history, location and accomplishments, the University does not expect major changes in its mission during the next decade. Rather, it sees further refinement of that mission with concentration on its strong liberal-arts base and on quality improvement.

HISTORY

The University is one of the largest and oldest of twelve units of the Division of Colleges and Universities of the Florida Board of Education. It was established as the Seminary West of the Suwannee by an act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. It has grown from an enrollment of 2,583 in 1946 to an enrollment of over 41,000 in the fall semester of 2012.

CAMPUS / CENTERS / PROGRAMS

In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges, plus the Graduate School. It has expanded to over 536 buildings on approximately 1,568 acres, including the downtown Tallahassee main campus of 446 acres, the Ringling Museum of 66 acres and the Panama City branch campus of 26 acres. The University also offers degree programs in Sarasota, Florida and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in Costa Rica, Croatia, and Italy.

Through Academic and Professional Program Services, the University offers courses and degree programs online and at many off-campus sites around the state, non-credit programs, workshops, seminars and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota, Florida, which is the largest museum/university complex in the nation.

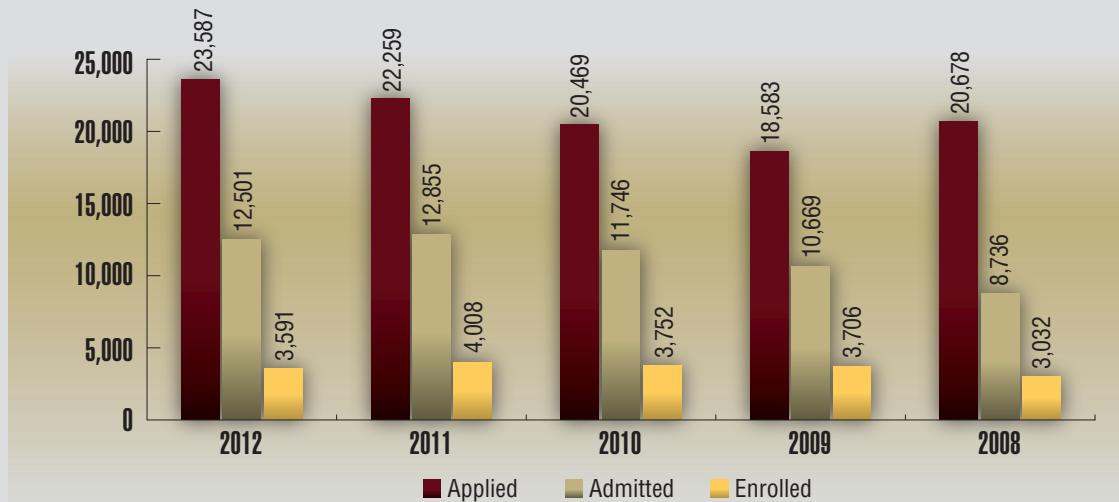


STUDENTS

As a major comprehensive residential state university, the University attracts students from every county in Florida, every state in the nation and 132 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes 102 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. The University also provides alternative admissions and highly successful retention programs for special student populations.

Graduate students comprise 20 percent of the student body and are enrolled in 139 graduate/specialist degree programs, 76 doctoral programs and 2 professional programs.

Freshman Applied, Admitted, and Enrolled (Fall Term)



Headcount by School/College (Fall Term)

	2012	2011	2010	2009	2008
Applied Studies	129	41	-	-	-
Arts & Sciences	10,593	10,712	10,046	9,507	8,842
Business	5,822	5,843	5,825	5,985	6,145
Communication and Information*	2,531	2,614	2,701	2,702	1,615
Criminology & Criminal Justice	1,812	1,766	1,653	1,466	1,342
Education	2,187	2,221	2,377	2,642	2,941
Engineering	2,051	1,980	1,873	1,763	1,608
The Graduate School-Materials Science Program	12	8	9	4	-
Human Sciences	3,246	3,021	2,962	3,098	3,170
Information	-	-	-	-	1,125
Law	704	734	783	768	762
Medicine	521	519	517	490	435
Motion Pictures, TV & Recording Arts	220	174	182	188	181
Music	1,149	1,160	1,136	1,149	1,120
Nursing	451	670	856	902	906
Social Sciences & Public Policy	4,770	4,886	4,812	4,888	4,704
Social Work	894	815	741	675	694
Visual Arts, Theatre & Dance	1,479	1,540	1,576	1,535	1,615
Undecided/Special	2,730	3,006	2,789	2,493	1,931
Total	41,301	41,710	40,838	40,255	39,136

*The College of Communication and the College of Information merged in Fall 2009 to form the College of Communication and Information.

Degrees Awarded - Academic Year

	2012-13	2011-12	2010-11	2009-10	2008-09
Bachelor's	7,889	7,860	7,818	7,927	7,630
Master's	2,311	2,142	2,210	2,203	2,129
Specialist	52	59	59	42	47
Juris Doctorate	239	288	268	249	263
Doctorate	385	444	429	340	343
M.D.	112	118	113	94	74
Total	10,988	10,911	10,897	10,855	10,486

FACULTY

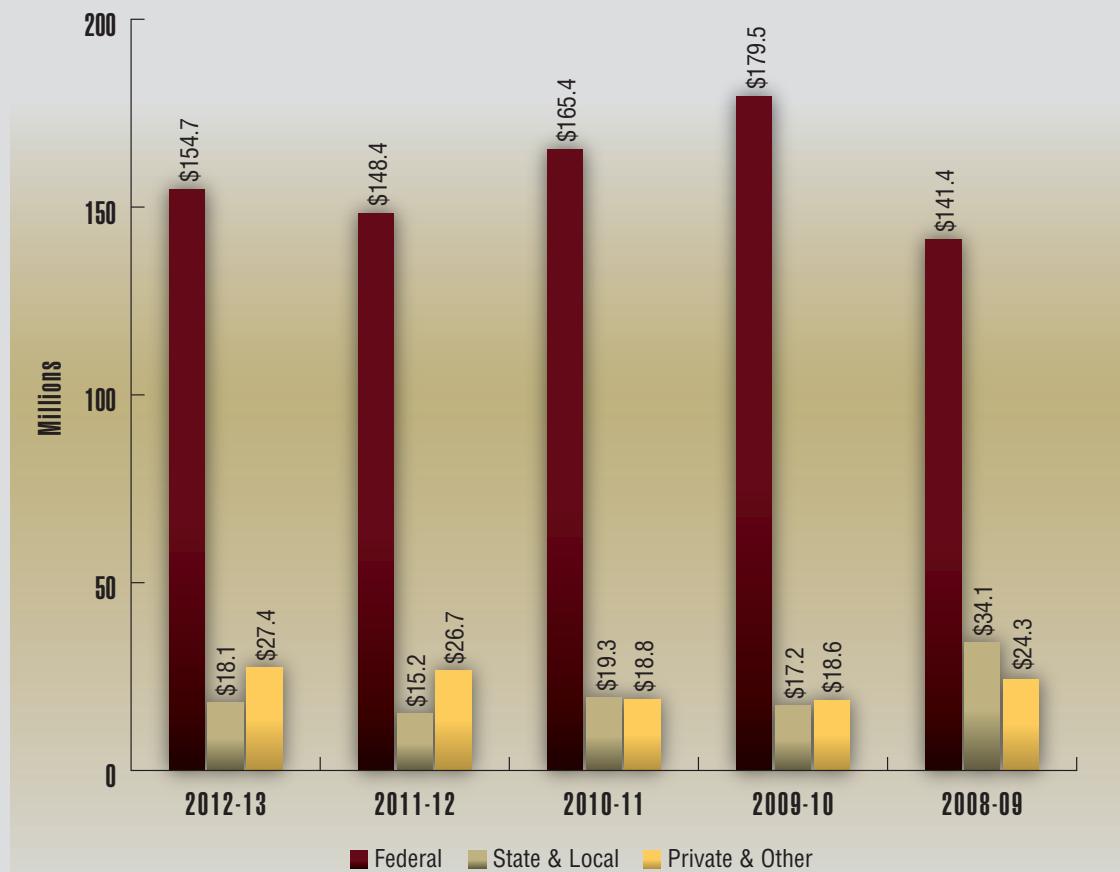
It is the official policy of the University to recruit the most talented faculty from leading centers of learning throughout the world. The University faculty has included six Nobel Laureates and twelve members of the National Academy of Sciences. Many of the University's faculty have received national and international recognition, and the University enjoys national ranking in a number of disciplines.

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/Student Ratio
2008-09	1,944	65	822	1,848	21:1
2009-10	1,835	59	825	1,742	22:1
2010-11	1,791	66	829	1,708	22:1
2011-12	1,779	65	812	1,696	26:1
2012-13	1,856	67	827	1,769	26:1

RESEARCH

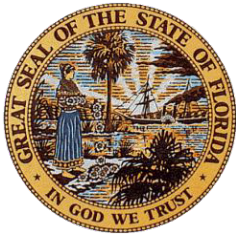
Since its designation as a university in 1947, the University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In the 2012-13 fiscal year, the University faculty and administrators generated more than \$200 million in external funding to supplement state funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities and to support the research itself.

Contracts & Grants Awards Received (in Millions)



LIBRARIES

The University's library system, which ranks among the nation's top research libraries, is made up of eight libraries on campus. The libraries' total collection includes more than 2.9 million volumes of books and periodicals. Also, access to 771 databases, 1,156,915 e-books and 72,825 e-journals allows students, faculty and staff to do research from their offices or homes.



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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 State 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, 2013, 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, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State University and of its aggregate discretely presented component units as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, the Introduction from the Vice President for Finance and Administration, and the University Overview, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Message from the President, the Introduction from the Vice President for Finance and Administration, and the University Overview have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida State University's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

December 20, 2013

Audit Report No. 2014-075



Management's Discussion and Analysis

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$2.5 billion at June 30, 2013. This balance reflects a \$6.6 million, or 0.3 percent, increase as compared to the 2011-12 fiscal year resulting from a \$66 million, or 4 percent, increase in net capital assets due to the addition of several new buildings and infrastructure. Total investments decreased by \$71.4 million, or 10.8 percent, due in part to a \$62.6 million decrease in unrestricted investments resulting from reduction of State noncapital appropriations. Liabilities also increased by \$8.5 million, or 2.1 percent, totaling \$420.8 million at June 30, 2013, as compared to \$412.3 million at June 30, 2012. As a result, the University's net position decreased by \$2 million, resulting in a year end balance of \$2.1 billion.

The University's operating revenues totaled \$578.2 million for the 2012-13 fiscal year, representing a 8 percent increase over the 2011-12 fiscal year due mainly to an increase in tuition and fees, and grants and contracts. Operating expenses totaled \$958.4 million for the 2012-13 fiscal year, representing an increase of 2.4 percent over the 2011-12 fiscal year primarily due to a \$11 million, or 5.8 percent, increase in research related services and supplies.

Net nonoperating revenues totaled \$329 million, representing a decrease of \$70 million, or 17.6 percent, from the 2011-12 fiscal year. This decrease is primarily due to the reduction of state noncapital appropriations in the amount of \$65.2 million. In addition, other nonoperating expenses decreased by \$18.3 million mainly due to the removal of capital assets in the 2011-12 fiscal year as a result of an increase in the capitalization threshold of tangible personal property. Further, Other Revenues, Expenses, Gains, or Losses increased by \$10.7 million primarily due to an increase in Capital Grants, Contracts, Donations, and Fees.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes 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. Based upon the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University reporting entity as a blended component unit. In addition, nine direct-support organizations and the Florida State University Schools, Inc. are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.



THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, less liabilities, 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, liabilities, and net position at June 30:

Condensed Statement of Net Position at June 30 (in thousands)		
	2013	2012
Assets		
Current Assets	\$ 653,439	\$ 704,840
Capital Assets, Net	1,800,748	1,734,902
Other Noncurrent Assets	51,101	58,987
Total Assets	2,505,288	2,498,729
Liabilities		
Current Liabilities	103,994	94,133
Noncurrent Liabilities	316,781	318,117
Total Liabilities	420,775	412,250
Net Position		
Net Investment in Capital Assets	1,577,837	1,508,120
Restricted	169,895	168,553
Unrestricted	336,781	409,806
Total Net Position	\$ 2,084,513	\$ 2,086,479

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 2012-13 and 2011-12 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years (in thousands)		
	2012-13	2011-12
Operating Revenues	\$ 578,177	\$ 535,329
Less, Operating Expenses	(958,395)	(936,058)
Operating Loss	(380,218)	(400,729)
Net Nonoperating Revenues	328,978	399,058
Loss Before Other Revenues, Expenses, Gains or Losses	(51,240)	(1,671)
Other Revenues, Expenses, Gains, or Losses	49,274	38,589
Net Increase (Decrease) in Net Position	(1,966)	36,918
Net Position, Beginning of Year	2,086,479	2,049,561
Net Position, End of Year	\$ 2,084,513	\$ 2,086,479

OPERATING REVENUES

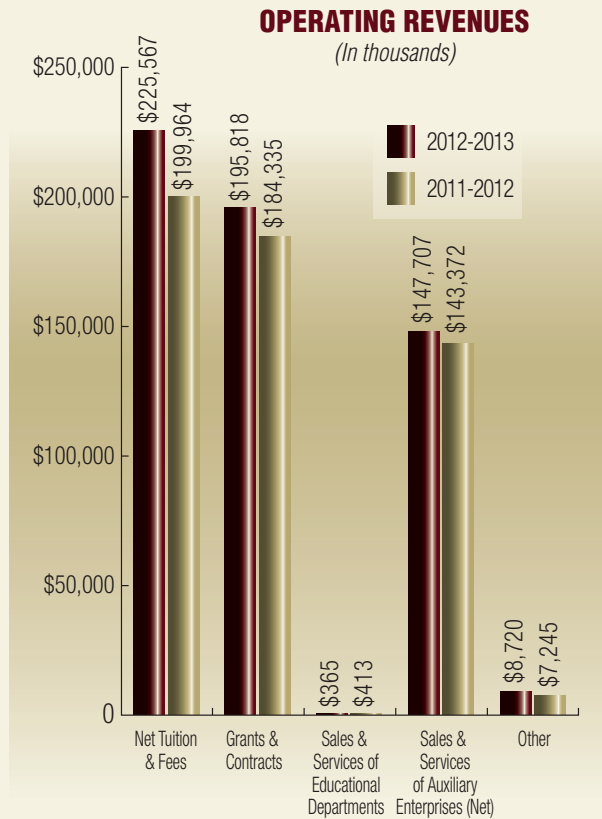
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

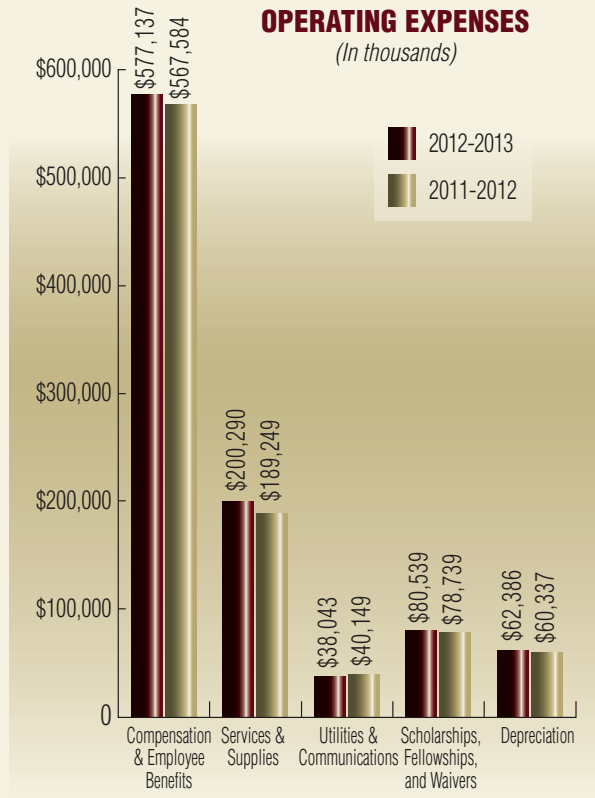
Operating Revenues (in thousands)		
	2012-13	2011-12
Net Tuition and Fees	\$ 225,567	\$ 199,964
Grants and Contracts	195,818	184,335
Sales and Services		
of Educational Departments	365	413
Sales and Services		
of Auxiliary Enterprises (Net)	147,707	143,372
Other	8,720	7,245
Total Operating Revenues	\$ 578,177	\$ 535,329



The following chart presents the University's operating revenues for the 2012-13 and 2011-12 fiscal years:



The following chart presents the University's operating expenses for the 2012-13 and 2011-12 fiscal years:



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 the operating expenses by natural classifications for the 2012-13 and 2011-12 fiscal years:

Operating Expenses For the Fiscal Years (in thousands)		
	2012-13	2011-12
Compensation and Employee Benefits	\$ 577,137	\$ 567,584
Services and Supplies	200,290	189,249
Utilities and Communications	38,043	40,149
Scholarships, Fellowships, and Waivers	80,539	78,739
Depreciation	62,386	60,337
Total Operating Expenses	\$ 958,395	\$ 936,058

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses) (in thousands)		
	2012-13	2011-12
State Noncapital Appropriations Federal and State Student Financial Aid	\$ 220,355	\$ 285,598
Noncapital Grants, Contacts, and Gifts	94,841	96,727
Investment Income	42,154	37,503
Net Increase (Decrease) in the Fair Value of Investments	11,725	15,727
Other Nonoperating Revenues	(11,794)	4,227
Loss on Disposal of Capital Assets	582	294
Interest on Capital Asset-Related Debt	(6,580)	-
Other Nonoperating Expenses	(7,547)	(8,007)
	(14,758)	(33,011)
Net Nonoperating Revenues	\$ 328,978	\$ 399,058

Management's Discussion and Analysis

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses (in thousands)			
		2012-13	2011-12
State Capital Appropriations	\$	1,750	\$ 19,087
Capital Grants, Contracts, Donations, and Fees		47,524	19,502
Total	\$	49,274	\$ 38,589

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 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows (in thousands)			
		2012-13	2011-12
Cash Provided (Used) by:			
Operating Activities	\$	(312,068)	\$ (326,404)
Noncapital Financing Activities		359,666	414,098
Capital and Related Financing Activities		(110,229)	(125,473)
Investing Activities		71,517	39,300
Net Increase in Cash and Cash Equivalents		8,886	1,521
Cash and Cash Equivalents, Beginning of Year		14,842	13,321
Cash and Cash Equivalents, End of Year	\$	23,728	\$ 14,842

Major sources of funds came from State noncapital appropriations (\$220.4 million), Federal and State student financial aid (\$94.8 million), net student tuition and fees (\$225.6 million), grants and contracts (\$188 million), and sales and services of auxiliary enterprises (\$146.4 million). Major uses of funds were for payments made to and on behalf of employees (\$565.6 million); payments to suppliers (\$230.3 million); payments to and on behalf of students for scholarships (\$80.5 million); and purchase or construction of capital assets (\$111.8 million).

CAPITAL ASSETS

At June 30, 2013, the University had \$2.6 billion in capital assets, less accumulated depreciation of \$0.8 billion, for net capital assets of \$1.8 billion. Depreciation charges for the current fiscal year totaled \$62.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30, 2013 (in thousands)			
		2013	2012
Land	\$	62,562	\$ 56,504
Construction in Progress		82,691	85,527
Buildings		1,392,212	1,340,428
Infrastructure and Other Improvements		71,562	74,423
Furniture and Equipment		85,228	70,483
Library Resources		31,355	32,122
Works of Art and Historical Treasures		74,038	74,032
Computer Software and Other Capital Assets		1,100	1,383
Capital Assets, Net	\$	1,800,748	\$ 1,734,902

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, 2013, were incurred on the following projects: Johnston Building Annex totaling \$10.9 million, Fourier Transform Ion Cyclotron Resonance Magnet System totaling \$8.8 million, and the Asian Art Study Center totaling \$0.8 million. The University's major capital commitments at June 30, 2013, are as follows:

	Amount
Total Committed	\$ 138,949
Completed to Date	(82,691)
Balance Committed	\$ 56,258

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

DEBT ADMINISTRATION

As of June 30, 2013, the University had \$220 million in outstanding capital improvement debt payable and \$0.5 million in installment purchases payable, representing a decrease of \$15 million, or 6.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30, 2013			
<i>(in thousands)</i>			
	2013	2012	
Capital Improvement Debt	\$ 220,407	\$ 235,029	
Installment Purchases	519	712	
Total	\$ 220,926	\$ 235,741	

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The condition of the State of Florida's economy is the primary factor impacting the University's future. The University ended the 2012-13 fiscal year with a \$2 million decrease in total net position over the previous year. This was anticipated based on the Florida Legislature's \$65.8 million nonrecurring reduction to the University's 2012-13 general revenue appropriations. The \$65.8 million was restored to the University's 2013-14 general revenue appropriations.

The 2013 Florida Legislature passed the Career and Professional Education Act, which defined preeminence for State universities and set specific performance parameters for schools to earn this status. Florida State University was officially designated as one of two preeminent research universities in the State by the Florida Board of Governors. Starting in 2013-14 the University will receive an additional \$15 million a year over the next five years. In addition, the Legislature passed the first State-funded salary increases in many years and provided a permanent budget for the University's Veterans Center.

The State funding has not been enough to keep pace with the growth of the University. Therefore, the University must rely more heavily on other revenue streams to maintain its quality programs. For the 2012-13 fiscal year, gross tuition and fee revenues increased by \$26.5 million. This increase was possible due to a Florida Board of Governors approved 13 percent tuition increase for undergraduates, as part of the tuition differential fee. Based on State law, tuition for the 2013-14 academic year increased at the rate of inflation, which was certified by the Office of Economic and Demographic Research as 1.7 percent.

The University's undergraduate tuition levels remain relatively low and continue to attract top students. The ability to attract new research funding will benefit from the University's plan to increase the number of tenured faculty. In addition, the University's outstanding fundraising capability is another factor indicating a bright future for the University.

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 University Controller's Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306.

Statement of Net Position

as of June 30, 2013 *(in thousands)*

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,259	\$ 38,949
Investments	556,821	125,993
Accounts Receivable, Net	40,696	33,388
Loans and Notes Receivable, Net	1,978	14,579
Due from State	10,452	-
Due from Component Units/University	12,338	10,585
Inventories	2,810	173
Other Current Assets	6,085	1,047
Total Current Assets	653,439	224,714
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,469	22,781
Restricted Investments	34,744	522,471
Loans and Notes Receivable, Net	11,555	217
Depreciable Capital Assets, Net	1,581,458	112,993
Nondepreciable Capital Assets	219,290	35,201
Other Noncurrent Assets	3,333	91,860
Total Noncurrent Assets	1,851,849	785,523
TOTAL ASSETS	\$ 2,505,288	\$ 1,010,237
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 23,337	\$ 11,212
Construction Contracts Payable	7,163	-
Salaries and Wages Payable	14,250	-
Deposits Payable	4,389	9
Due to State	738	-
Due to Component Units/University	14,226	7,844
Unearned Revenue	25,180	29,739
Other Current Liabilities	918	1,340
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	9,999	-
Bonds Payable	-	3,325
Loans and Notes Payable	-	1,205
Installment Purchases Payable	118	-
Accrued Self-Insurance Claims	7	-
Compensated Absences Payable	3,669	-
Total Current Liabilities	103,994	54,674
Noncurrent Liabilities:		
Capital Improvement Debt Payable	210,408	-
Bonds Payable	-	82,921
Loans and Notes Payable	-	9,322
Installment Purchases Payable	401	-
Accrued Self-Insurance Claims	678	-
Compensated Absences Payable	53,787	838
Unearned Revenue	-	19,946
Other Noncurrent Liabilities	21,494	10,421
Other Postemployment Benefits Payable	30,013	-
Total Noncurrent Liabilities	316,781	123,448
TOTAL LIABILITIES	\$ 420,775	\$ 178,122
NET POSITION		
Net Investment in Capital Assets	\$ 1,577,837	\$ 47,911
Restricted for Nonexpendable, Endowment	-	440,362
Restricted for Expendable:		
Debt Service	3,845	-
Loans	3,513	-
Capital Projects	22,437	-
Other	140,100	79,049
Endowment	-	140,516
Unrestricted	336,781	124,277
TOTAL NET POSITION	2,084,513	832,115
TOTAL LIABILITIES AND NET POSITION	\$ 2,505,288	\$ 1,010,237

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

Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Year Ended June 30, 2013 *(in thousands)*

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of \$124,202 (\$9,428 Pledged for Parking Facility Capital Improvement Debt and \$14,232 Pledged for Health and Wellness Center Capital Improvement Debt)	\$ 225,567	\$ —
Federal Grants and Contracts	160,700	—
State and Local Grants and Contracts	17,470	—
Nongovernmental Grants and Contracts	17,648	—
Sales and Services of Educational Departments	365	—
Sales and Services of Auxiliary Enterprises (\$2,354 Pledged for Parking Facility Capital Improvement Debt, \$38,752 Pledged for Housing Facility Capital Improvement Debt and \$1,613 Pledged for Dining Facility Capital Improvement Debt)	147,707	—
Sales and Services of Component Units	—	25,559
Royalties and Licensing Fees	—	13,332
Gifts and Donations	—	66,252
Interest on Loans and Notes Receivable	288	—
Other Operating Revenues	8,432	23,622
Total Operating Revenues	578,177	128,765
OPERATING EXPENSES		
Compensation and Employee Benefits	577,137	41,832
Services and Supplies	200,290	91,643
Utilities and Communications	38,043	587
Scholarships, Fellowships, and Waivers	80,539	—
Depreciation	62,386	5,457
Total Operating Expenses	958,395	139,519
OPERATING LOSS	(380,218)	(10,754)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	220,355	—
Federal and State Student Financial Aid	94,841	—
Noncapital Grants, Contracts, and Gifts	42,154	—
Investment Income	11,725	12,881
Net Increase (Decrease) in the Fair Value of Investments	(11,794)	49,394
Investment Expense	—	(85)
Other Nonoperating Revenues	582	4,189
Loss on Disposal of Capital Assets	(6,580)	—
Interest on Capital Asset-Related Debt	(7,547)	(664)
Other Nonoperating Expenses	(14,758)	(18,821)
NET NONOPERATING REVENUES	328,978	46,894
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(51,240)	36,140
State Capital Appropriations	1,750	—
Capital Grants, Contracts, Donations, and Fees	47,524	2,835
Additions to Permanent Endowments	—	20,088
Increase (Decrease) in Net Position	(1,966)	59,063
Net Position, Beginning of Year	2,086,479	773,052
NET POSITION, END OF YEAR	\$ 2,084,513	\$ 832,115

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

Statement of Cash Flows

for Fiscal Year Ended June 30, 2013 *(in thousands)*

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 225,567
Grants and Contracts	187,995
Sales and Services of Educational Departments	365
Sales and Services of Auxiliary Enterprises	146,394
Interest on Loans and Notes Receivable	288
Other Operating Receipts	4,214
Payments to Employees	(565,637)
Payments to Suppliers for Goods and Services	(230,288)
Payments to Students for Scholarships and Fellowships	(80,539)
Payments on Self-Insurance Claims	(533)
Loans issued to Students	(3,258)
Collections on Loans to Students	3,364
Net Cash Used by Operating Activities	(312,068)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	220,355
Noncapital Grants, Contracts and Gifts	40,269
Federal and State Student Financial Aid	94,841
Federal Direct Loan Program Receipts	214,921
Federal Direct Loan Program Disbursements	(214,989)
Net Change in Funds Held for Others	4,063
Other Nonoperating Receipts	453
Other Nonoperating Disbursements	(247)
Net Cash Provided by Noncapital Financing Activities	359,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	13,000
State Capital Appropriations	6,548
Capital Grants, Contracts, Donations, and Fees	16,688
Capital Subsidies and Transfers	2,700
Purchase or Construction of Capital Assets	(111,773)
Principal Paid on Capital Debt	(27,560)
Interest Paid on Capital Debt	(9,832)
Net Cash Used by Capital and Related Financing Activities	(110,229)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,676,840
Purchase of Investments	(1,617,895)
Investment Income	12,572
Net Cash Provided by Investing Activities	71,517
Net Increase in Cash and Cash Equivalents	8,886
Cash and Cash Equivalents, Beginning of Year	14,842
Cash and Cash Equivalents, End of Year	\$ 23,728
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (380,218)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	62,386
Change in Assets and Liabilities:	
Loans and Notes Receivable, Net	606
Other Receivables, Net	(9,092)
Inventories	(83)
Deferred Charges and Other Assets	1,128
Accounts Payable	6,500
Salaries and Wages Payable	2,739
Accrued Insurance Claims	(534)
Deposits Payable	(50)
Compensated Absences Payable	411
Postemployment Healthcare Benefits Payable	8,351
Unearned Revenue	(4,212)
NET CASH USED BY OPERATING ACTIVITIES	\$ (312,068)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (11,794)
Losses from the write off 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.	\$ (6,580)

The accompanying notes to the 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 (Board of Governors). The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

BLENDED COMPONENT UNIT

The Florida State University College of Medicine Self-Insurance Program was created on July 1, 2006, by the Board of Governors, pursuant to Section 1004.24, Florida Statutes. Although it is legally separate from the University, the Self-Insurance Program is included within the University's reporting entity as a blended component unit based on the application of the criteria for determining component units. Specifically, the Self-Insurance Program is organized exclusively to provide general and professional liability insurance coverage for the educational, research and service programs of the Colleges of Medicine and Nursing, and the Student Health Center. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

DISCRETELY PRESENTED COMPONENT UNITS

Direct-support organizations of the University are legally separate, not for profit, corporations organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011. Based on the application of the criteria for determining component units, the following organizations met all of the financial accountability criteria necessary for inclusion as discretely presented component units and therefore are included within the University reporting entity.

The Florida State University Schools, Inc., (not a direct support organization) is also included as a discretely presented component unit within the University reporting entity based on the nature and significance of its relationship with the University.

These organizations and their purposes are explained as follows:

- ▶▶ **The Florida State University Foundation, Inc. (Foundation)** - The University's fund raising and private support programs are accounted for and reported separately by the Foundation. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The Foundation expenses include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- ▶▶ **Seminole Boosters, Inc. (Boosters)** - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.
 - The Financial Assistance organization was created for the purpose of securing bond financing in accordance with Section 1004.28, Florida Statutes. Seminole Boosters, Inc., maintains direct control of Financial Assistance and each year makes significant transfers to them to help service the bond debt.

- ▶▶ **Florida State University International Programs Association, Inc. (International Programs Association)** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- ▶▶ **Florida State University Alumni Association, Inc. (Alumni Association)** - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.
- ▶▶ **The Florida State University Research Foundation, Inc. (Research Foundation)** - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.
- ▶▶ **The John and Mable Ringling Museum of Art Foundation, Inc. (Museum Foundation)** - The Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. An annual agreement is executed between the Museum and the Foundation to allow the Foundation to act as the direct-support organization for the Museum.
- ▶▶ **Florida Medical Practice Plan, Inc. (FMPP)** - FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine.
- ▶▶ **Florida State University Magnet Research and Development, Inc. (Magnet Research and Development)** - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.
- ▶▶ **The Florida State University Real Estate Foundation, Inc. (Real Estate Foundation)** - The Real Estate Foundation was established to receive, hold, manage, lease, develop or sell real estate and to make expenditures, grants, contributions to or for the benefit of the University.

Florida State University Schools, Inc. (School) - The School is a charter school established pursuant to Section 1002.33(5)(a), Florida Statutes. The School provides a setting where University faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and development of commercial or prototype materials and techniques adaptable to other Florida public schools and supported by School and University researchers or private sector partners.

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 discretely presented 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.

Condensed financial statements are not presented for the following direct support organizations that were not operational during the fiscal year or had activity that was determined to be immaterial to the University's financial statements.

- » The Florida State University Performing Arts Center Foundation, Inc., was approved by the Board of Trustees on September 15, 2006, to raise money for building maintenance and improvement for the Center in Sarasota, Florida.
- » Florida State University College of Business Investment Fund, Inc., was approved by the Board of Trustees on September 19, 2008, to support a student managed investment fund and other FSU College of Business programs.
- » The Florida State University Foundation for Innovation, Inc., was approved by the Board of Trustees on June 8, 2012, to assist student entrepreneurs.
- » The Florida State University Athletics Association, Inc., was approved by the Board of Trustees on December 14, 2012, to provide supplemental contracts for athletics staff.

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

BASIS OF ACCOUNTING

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

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

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

Notes to Financial Statements

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. 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 differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

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.

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; and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property, \$50,000 for new buildings, and \$100,000 for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- ▶▶ Buildings – 10 to 50 years
- ▶▶ Infrastructure and Other Improvements – 12 to 50 years
- ▶▶ Furniture and Equipment – 3 to 20 years
- ▶▶ Library Resources - 10 years
- ▶▶ Computer Software and Other Capital Assets – 5 years

NONCURRENT LIABILITIES

Noncurrent liabilities include capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other noncurrent liabilities, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

OPERATING REVENUES AND EXPENSES

Operating revenues include activities that have characteristics of exchange transactions, such as student fees, net of scholarship allowances; sales and services of auxiliary enterprises; Federal, state, local and nongovernmental grants and contracts; and sales and services of educational departments. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38, such as appropriations and investment income. Nonoperating expenses include interest paid on capital asset-related debt and losses on the disposal of capital assets.

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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; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

EXTERNAL INVESTMENT POOLS

The University reported investments at fair value totaling \$587,828,356 at June 30, 2013, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor’s and had an effective duration of 2.65 years at June 30, 2013. 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 at fair value totaling \$3,736,987 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State’s Comprehensive Annual Financial Report.

Notes to Financial Statements

COMPONENT UNITS INVESTMENTS

Investments held by the University's component units at June 30, 2013, are reported at fair value as follows::

Investment Type	The Florida State University Foundation, Inc.	Seminole Boosters, Inc.	Florida State University Alumni Association, Inc.	The Florida State University Research Foundation, Inc.	The John and Mable Ringling Museum of Art Foundation, Inc.	The Florida State University Real Estate Foundation, Inc.	Florida State University Schools, Inc.	Total
External Investment Pools:								
SBA - PRIME	\$ -	\$ -	\$ -	\$ 33,352,269	\$ -	\$ -	\$ -	\$ 33,352,269
SBA - Fund B	-	-	-	602,886	-	-	-	602,886
SBA - CAMPMM-Restricted	-	-	-	115,892	-	-	-	115,892
Certificates of Deposit	-	-	153,048	-	-	-	-	153,048
Money Market Funds	-	-	-	35,181,737	-	-	4,228,089	39,409,826
U.S. Government Obligations	-	-	-	-	2,611,943	-	-	2,611,943
Domestic Stocks	7,257	2,885,715	-	42,558,500	-	-	-	45,451,472
Real Estate Investments	423,559	9,418,844	-	-	-	900,001	-	10,742,404
Mutual Funds	346,495,094	24,288,959	-	-	650,589	-	-	371,434,642
Investment Agreements	144,590,328	-	-	-	-	-	-	144,590,328
Total	\$491,516,238	\$ 36,593,518	\$ 153,048	\$111,811,284	\$ 3,262,532	\$ 900,001	\$4,228,089	\$ 648,464,710

EXTERNAL INVESTMENT POOLS

State Board of Administration Florida PRIME - The Research Foundation reported investments at fair value totaling \$33,352,269 at June 30, 2013, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2013, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund - The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balances within the Florida PRIME investment pool.

At June 30, 2013, the Research Foundation reported investments at fair value of \$602,886 in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The component unit's investment in Fund B is unrated.

State Board of Administration Commingled Asset Management Program - The Research Foundation reported investments at fair value totaling \$115,892 at June 30, 2013, in the Commingled Asset Management Program (CAMP) administered by the SBA. All securities purchased are consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes. These funds are invested in the CAMP Money Market Restricted pool (CAMPMM-Restricted).

The Research Foundation's written investment policy authorizes investment in highly diversified index funds that utilize futures, options, and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risk. The Research Foundation relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. The SBA has taken the position that participants in the CAMPMM-Restricted pool are required to disclose information related to credit risk and interest rate risk. These investments pools were not ranked by a nationally recognized rating agency as of June 30, 2013. The CAMPMM-Restricted pool principally consists of segregated securities, which are securities originally purchased in the Commingled Asset Management Pool Money Market Fund (CAMPMM) that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; or (4) experienced elevated market illiquidity. Participants in CAMPMM-Restricted pool receive periodic distributions to the extent that CAMPMM-Restricted pool receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken. The weighted-average life (based on expected future cash flows) of CAMPMM-Restricted pool at June 30, 2013, is estimated to be 4.44 years. However, because CAMPMM-Restricted pool consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted-average life.

OTHER COMPONENT UNITS INVESTMENTS

For the component units, the majority of investments are those reported by the Foundation. Because the Foundation reports under the FASB reporting model, disclosure of the various investment risks is not required for the Foundation's investments. The following are required risk disclosures applicable to investments of the remaining component units, which report under the GASB reporting model.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Museum Foundation's investment policy limits the investment activity of the Fine Arts Endowment to U.S. Government securities with maturities not to exceed five years. The Museum Foundation's investment policy does not limit the investment maturities of the remaining 30 percent of its portfolio as a means of managing its exposure to fair value losses arising from increasing interest rates. The Research Foundation limits the weighted average maturity of its investment portfolio to less than eight years. The Boosters, the Real Estate Foundation, and the School do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, mutual funds, money market funds and certificates of deposit have their future maturities at June 30, 2013, as follows:

Investment Type	Fair Value	Investment Maturities		
		Daily	(In Years)	
			Less Than 1	1-5
The John and Mable Ringling Museum of Art Foundation, Inc.				
U.S. Government Obligations	\$ 2,611,943	\$ -	\$ 1,710,814	\$ 901,129
Mutual Funds	650,589	-	650,589	-
Total	\$ 3,262,532	\$ -	\$ 2,361,403	\$ 901,129
The Florida State University Research Foundation, Inc.				
Money Market Funds	\$ 35,181,737	\$ -	\$ 35,181,737	\$ -
Seminole Boosters, Inc.				
Mutual Funds	\$ 24,288,959	\$ 24,288,959	\$ -	\$ -
Florida State University Alumni Association, Inc.				
Certificates of Deposit	\$ 153,048	\$ -	\$ 153,048	\$ -
Florida State University Schools, Inc.				
Money Market Funds	\$ 4,228,089	\$ 4,228,089	\$ -	\$ -

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2013, the Museum Foundation had \$650,589 of mutual funds rated A-1 by Standard & Poor's, the Boosters had \$24,288,959 of mutual funds rated as AAAM by Standard & Poor's, the Research Foundation had \$35,181,737 of money market funds rated as AAAM by Standard & Poor's, and the School had \$4,228,089 of money market funds rated as Aaa by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. The Museum Foundation, the Boosters, the Alumni Association, the Research Foundation, and the School do not have written investment policies addressing custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

3 RECEIVABLES

Accounts Receivable - Accounts receivable represent amounts for student tuition and fees, grant and contract 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, 2013, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 6,337,088
Grants and Contracts	25,631,535
Sales and Services of Auxiliary Enterprises	8,333,293
Interest	308,309
Other	1,448,908
Total Accounts Receivable	\$ 42,059,133

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 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 \$1,362,969 and \$2,163,389, respectively, at June 30, 2013. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

4 DUE FROM STATE

This amount consists of \$10,452,069 of Public Education Capital Outlay allocations due to the University for construction of University facilities.

5

DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2013. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. 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.

6

INVENTORIES

Inventories have been categorized into the following two types:

- ▶▶ Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- ▶▶ Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average, actual cost, first-in, first-out or last invoice cost method.

7

CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 56,503,805	\$ 6,057,890	\$ –	\$ 62,561,695
Works of Art and Historical Treasures	74,032,020	334,832	328,749	74,038,103
Construction in Progress	85,527,462	81,280,555	84,117,494	82,690,523
Total Nondepreciable Capital Assets	\$ 216,063,287	\$ 87,673,277	\$ 84,446,243	\$ 219,290,321
Depreciable Capital Assets:				
Buildings	\$ 1,715,697,833	\$ 91,138,641	\$ 7,690,097	\$ 1,799,146,377
Infrastructure and Other Improvements	125,997,479	1,213,304	–	127,210,783
Furniture and Equipment	251,472,395	36,631,862	11,814,708	276,289,549
Library Resources	125,850,390	5,984,690	7,478,562	124,356,518
Computer Software & Other Capital Assets	29,867,397	1,284,162	1,351,162	29,800,397
Total Depreciable Capital Assets	2,248,885,494	136,252,659	28,334,529	2,356,803,624
Less, Accumulated Depreciation:				
Buildings	375,269,754	34,431,368	2,766,626	406,934,496
Infrastructure and Other Improvements	51,574,811	4,073,802	–	55,648,613
Furniture and Equipment	180,989,220	16,638,328	6,566,894	191,060,654
Library Resources	93,728,701	6,751,804	7,478,562	93,001,943
Computer Software & Other Capital Assets	28,484,314	491,069	275,403	28,699,980
Total Accumulated Depreciation	730,046,800	62,386,371	17,087,485	775,345,686
Total Depreciable Capital Assets, Net	\$ 1,518,838,694	\$ 73,866,288	\$ 11,247,044	\$ 1,581,457,938

8 UNEARNED REVENUE

Unearned revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2013, to spend the funds, and grants and contracts, auxiliary sales and services, and other revenues received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2013, the University reported the following amounts as unearned revenue:

Description	Amount
Grants and Contracts	\$ 4,152,515
Sales and Services of Auxiliary Enterprises	14,816,831
State Capital Appropriations	6,154,914
Other	55,502
Total Unearned Revenue	\$ 25,179,762

9 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2013, include capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other noncurrent liabilities, and other postemployment benefits payable. Other noncurrent liabilities consist mainly of the 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 if the University has excess cash in the loan program. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 235,029,090	\$ 12,929,138	\$ 27,551,315	\$ 220,406,913	\$ 9,998,589
Installment Purchases Payable	711,706	-	192,753	518,953	118,388
Accrued Self-Insurance Claims	1,218,841	99,482	633,306	685,017	6,576
Compensated Absences Payable	57,058,268	3,692,191	3,294,764	57,455,695	3,669,089
Other Noncurrent Liabilities	16,533,502	5,071,688	111,005	21,494,185	-
Other Postemployment Benefits Payable	21,662,000	11,795,000	3,444,000	30,013,000	-
Total Long-Term Liabilities	\$ 332,213,407	\$ 33,587,499	\$ 35,227,143	\$ 330,573,763	\$ 13,792,642

CAPITAL IMPROVEMENT DEBT PAYABLE

The University had the following capital improvement debt payable outstanding at June 30, 2013:

Capital Improvement Debt Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Debt:				
1993 Housing	\$ 3,500,000	\$ 1,404,906	3.0	2022
2004A Housing	23,145,000	16,650,281	3.375 - 4.5	2034
2005A Housing	71,285,000	63,455,993	5.0	2035
2010A Housing	18,910,000	17,497,432	2.5 - 4.75	2040
2011A Housing	27,745,000	25,875,711	2.0 - 4.125	2031
Total Student Housing Debt	144,585,000	124,884,323		
2003A Parking	5,585,000	564,659	3.75	2014
2003B Parking	15,645,000	9,140,505	3.7 - 4.5	2023
2005A Parking	11,270,000	7,818,410	4.0 - 5.0	2025
2007A Parking	13,230,000	9,903,102	4.0 - 4.625	2026
2011A Parking	22,145,000	19,544,625	2.5 - 5.25	2031
Total Student Parking Debt	67,875,000	46,971,301		
2005A Dining	10,000,000	7,214,200	2.29	2025
2010A Wellness Center	31,320,000	28,800,225	4.0 - 5.0	2030
Total Auxiliary Debt	253,780,000	207,870,049		
2012 Research Foundation Revenue Debt	11,920,000	12,536,864	3.0 - 4.0	2031
Total Capital Improvement Debt \$	265,700,000	\$ 220,406,913		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$253.8 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$307 million, and principal and interest paid for the current year totaled \$18.4 million.

During the 2012-13 fiscal year, housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees were as follows:

Revenue Source	Amount
Housing Rental Income	\$ 38,751,697
Traffic, Parking and Transportation Fees	11,781,692
Food Service Revenues	1,612,597
Student Health Fees	14,231,852

Notes to Financial Statements

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

On January 4, 2013, the Florida Board of Governors issued \$11,920,000 of Florida State University Research Foundation Revenue Refunding Bonds, Series 2012. The University's portion of the refunding bonds (\$11,920,000) and its cash contribution (\$5,000,000) was used to defease \$18,000,000 of outstanding FSU Research Foundation Revenue Refunding Bonds, Series 2001. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$11,053,435 over the next 19 years and obtained an economic gain of \$3,792,528.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 9,980,000	\$ 9,302,748	\$ 19,282,748
2015	9,730,000	8,953,606	18,683,606
2016	10,100,000	8,606,503	18,706,503
2017	10,505,000	8,214,656	18,719,656
2018	10,890,000	7,818,273	18,708,273
2019-2023	60,715,000	32,103,338	92,818,338
2024-2028	52,945,000	19,356,579	72,301,579
2029-2033	38,955,000	8,402,700	47,357,700
2034-2038	13,010,000	1,789,456	14,799,456
2039-2040	2,150,000	154,375	2,304,375
Subtotal	218,980,000	104,702,234	323,682,234
Less: Unamortized Loss on Refundings	1,209,990		1,209,990
Less: Unamortized Deferred Charges	2,450,166		2,450,166
Plus: Unamortized Premiums and Discounts, Net	5,087,069		5,087,069
Total	\$ 220,406,913	\$ 104,702,234	\$ 325,109,147

INSTALLMENT PURCHASES PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$1,506,420. The stated interest rates ranged from 2.43 percent to 3.78 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014	\$ 134,412
2015	134,412
2016	134,412
2017	100,809
2018	51,062
Total Minimum Payments	555,107
Less, Amount Representing Interest	36,154
Present Value of Minimum Payments	\$ 518,953

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, 2013, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$57,455,695. The current portion of the compensated absences liability, \$3,669,089, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay as you go basis. For the 2012-13 fiscal year, 1,125 retirees received postemployment healthcare benefits. The University provided required contributions of \$3,444,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$4,251,000, which represents 1.2 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 6,556,000
Amortization of Unfunded Actuarial Accrued Liability	4,675,000
Interest on Normal Cost and Amortization	449,000
Annual Required Contribution	11,680,000
Interest on Net OPEB Obligation	866,000
Adjustment to Annual Required Contribution	(751,000)
Annual OPEB Cost (Expense)	11,795,000
Contribution Toward the OPEB Cost	(3,444,000)
Increase in Net OPEB Obligation	8,351,000
Net OPEB Obligation, Beginning of Year	21,662,000
Net OPEB Obligation, End of Year	\$ 30,013,000

Notes to Financial Statements

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2013, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 8,433,000	42%	\$ 13,507,000
2011-12	11,692,000	30%	21,662,000
2012-13	11,795,000	29%	30,013,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$137,982,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$137,982,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$368,648,639 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 37.4 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the University's 2012-13 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 8.29 percent, 9.16 percent, and 8.13 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 10.43 percent, 4.92 percent, and 8.80 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

10 RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost sharing, multiple-employer retirement plans and other non-integrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 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 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 service. Members of both Plans 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.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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.

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 this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Florida Retirement System, Special Risk	3.00	14.90
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

(A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

Notes to Financial Statements

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$17,334,687, \$11,319,743, and \$12,084,114, respectively, which were equal to the required contributions for each fiscal year.

There were 639 University participants in the Investment Plan during the 2012-13 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled \$2,300,579, which was equal to the required contribution for the 2012-13 fiscal year.

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

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for eight 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 FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs 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.

There were 2,214 University participants during the 2012-13 fiscal year. The University's contributions to the Program totaled \$10,654,833 and employee contributions totaled \$10,035,529 for the 2012-13 fiscal year.

11 CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2013, are as follows:

Project Description	Total Commitment	Completed to Date	Committed Balance
Johnston Building Annex	\$ 20,276,349	\$ 10,853,932	\$ 9,422,417
Fourier Transform Ion Cyclotron Resonance Magnet System	13,285,000	8,828,500	4,456,500
Asian Art Study Center	7,985,000	780,297	7,204,703
Other (1)	97,402,397	62,227,794	35,174,603
Total	\$ 138,948,746	\$ 82,690,523	\$ 56,258,223

Note: (1) All other projects with committed balances less than \$5 million.

12 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 2012-13 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 \$50 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$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 three fiscal years.

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

UNIVERSITY SELF-INSURANCE PROGRAM

The Florida State University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes on July 1, 2006. The Self-Insurance Program provides professional and general liability protection for the Florida State University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and resident physicians. This includes the faculty and staff of the College of Nursing, effective July 1, 2009, and the faculty and staff of the Student Health Center, effective July 1, 2010. Liability protection is afforded to the students of each college. The Self-Insurance Program provides legislative claims bill protection.

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

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2012-13 fiscal year are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2011-12	\$ 1,058,811	\$ 161,000	\$ (970)	\$ 1,218,841
2012-13	1,218,841	(508,879)	(24,945)	685,017

13 FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount	
Instruction	\$	293,160,130
Research		148,731,509
Public Service		30,720,224
Academic Support		56,069,321
Student Services		40,527,368
Institutional Support		52,532,608
Operation and Maintenance of Plant		55,809,213
Scholarships and Fellowships		80,539,035
Depreciation		62,386,370
Auxiliary Enterprises		137,297,493
Loan Operations		622,058
Total Operating Expenses	\$	958,395,329

14 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

	Parking Facility Capital Improvement Debt	Housing Facility Capital Improvement Debt
Assets		
Current Assets	\$ 5,512,645	\$ 19,377,915
Capital Assets, Net	74,836,679	192,347,507
Other Noncurrent Assets	1,294,565	40,150,501
Total Assets	81,643,889	251,875,923
Liabilities		
Current Liabilities	3,896,854	10,899,906
Noncurrent Liabilities	44,059,462	122,365,176
Total Liabilities	47,956,316	133,265,082
Net Position		
Net Investment in Capital Assets	27,865,377	66,936,253
Restricted - Expendable	3,429,540	38,682,899
Unrestricted	2,392,658	12,991,689
Total Net Position	\$ 33,687,575	\$ 118,610,841



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

	Parking Facility Capital Improvement Debt	Housing Facility Capital Improvement Debt
Operating Revenues	\$ 11,781,692	\$ 38,751,697
Depreciation Expense	(1,876,553)	(4,686,056)
Operating Expenses	(5,124,613)	(15,963,165)
Operating Income	4,780,526	18,102,476
Net Nonoperating Expenses	(3,743,366)	(5,446,702)
Income Before Other Revenues, Expenses, Gains, or Losses	1,037,160	12,655,774
Other Revenues, Expenses, Gains, or Losses	397,921	(964,015)
Increase in Net Position	1,435,081	11,691,759
Net Position, Beginning of Year	32,252,494	106,919,082
Net Position, End of Year	\$ 33,687,575	\$ 118,610,841

Condensed Statement of Cash Flows

	Parking Facility Capital Improvement Debt	Housing Facility Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,843,338	\$ 23,207,368
Noncapital Financing Activities	397,921	(721,781)
Capital and Related Financing Activities	(7,893,018)	(13,208,333)
Investing Activities	808,437	(9,219,531)
Net Increase in Cash and Cash Equivalents	156,678	57,723
Cash and Cash Equivalents, Beginning of Year	20,163	13,029
Cash and Cash Equivalents, End of Year	\$ 176,841	\$ 70,752

15 BLENDED COMPONENT UNIT

The University has one blended component unit as discussed in note 1. The following financial information is presented for the University's blended component unit:

Condensed Statement of Net Position

	Florida State University College of Medicine Self-Insurance Program		University		Total Primary Government
Assets					
Other Current Assets	\$	6,587,822	\$	646,850,954	\$ 653,438,776
Capital Assets, Net		–		1,800,748,263	1,800,748,263
Other Noncurrent Assets		–		51,101,059	51,101,059
Total Assets		6,587,822		2,498,700,276	2,505,288,098
Liabilities					
Other Current Liabilities		686,246		103,307,937	103,994,183
Noncurrent Liabilities		–		316,781,120	316,781,120
Total Liabilities		686,246		420,089,057	420,775,303
Net Position					
Net Investment in Capital Assets		–		1,577,837,164	1,577,837,164
Restricted - Expendable		–		169,894,551	169,894,551
Unrestricted		5,901,576		330,879,504	336,781,080
Total Net Position	\$	5,901,576	\$	2,078,611,219	\$ 2,084,512,795

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Florida State University College of Medicine Self-Insurance Program		University		Total Primary Government
Operating Revenues	\$	652,478	\$	577,524,703	\$ 578,177,181
Depreciation Expense		–		(62,386,370)	(62,386,370)
Other Operating Expenses		(355,936)		(895,653,023)	(896,008,959)
Operating Income (Loss)		296,542		(380,514,690)	(380,218,148)
Nonoperating Revenues (Expenses)					
Nonoperating Revenue		–		351,283,205	351,283,205
Interest Expense		–		(7,546,855)	(7,546,855)
Other Nonoperating Expense		–		(14,757,940)	(14,757,940)
Net Nonoperating Revenues		–		328,978,410	328,978,410
Other Revenues, Expenses, Gains, and Losses		508,879		48,764,257	49,273,136
Increase (Decrease) in Net Position		805,421		(2,772,023)	(1,966,602)
Net Position, Beginning of Year		5,096,155		2,081,383,242	2,086,479,397
Net Position, End of Year	\$	5,901,576	\$	2,078,611,219	\$ 2,084,512,795

Condensed Statement of Cash Flows

	Florida State University College of Medicine Self-Insurance Program		University		Total Primary Government
Net Cash Provided (Used) by:					
Operating Activities	\$	333,980	\$	(312,402,311)	\$ (312,068,331)
Noncapital Financing Activities		–		359,666,231	359,666,231
Capital and Related Financing Activities		–		(110,228,819)	(110,228,819)
Investing Activities		4,129,459		67,387,427	71,516,886
Net Increase in Cash and Cash Equivalents		4,463,439		4,422,528	8,885,967
Cash and Cash Equivalents, Beginning of Year		2,124,329		12,717,194	14,841,523
Cash and Cash Equivalents, End of Year	\$	6,587,768	\$	17,139,722	\$ 23,727,490



16 DISCRETELY PRESENTED COMPONENT UNITS

The University has fourteen component units as discussed in note 1, ten of which had material activity during the 2012-13 fiscal year. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units (Florida State University College of Business Investment Fund, Inc., The Florida State University Performing Arts Center Foundation, Inc., The Florida State University Foundation for Innovation, Inc., and The Florida State University Athletics Association, Inc., are not presented as they were not operational or had activity that was determined to be immaterial to the University's financial statements):

Direct-Support Organizations

	The Florida State University Foundation, Inc. 6/30/2013	Seminole Boosters, Inc. 6/30/2013	Florida State University International Programs Association, Inc. 9/30/2012	Florida State University Alumni Association, Inc. 6/30/2013	The Florida State University Research Foundation, Inc. 6/30/2013
Condensed Statement of Net Position					
Assets:					
Current Assets	\$ 27,405,786	\$ 49,693,118	\$ 10,585,390	\$ 1,012,919	\$ 112,722,728
Capital Assets, Net	148,591	102,714,579	18,946,631	49,681	1,917,384
Other Noncurrent Assets	523,377,709	107,836,022	2,946	3,558	3,339,425
Total Assets	550,932,086	260,243,719	29,534,967	1,066,158	117,979,537
Liabilities:					
Current Liabilities	4,295,452	24,347,086	2,231,475	160,268	19,612,708
Noncurrent Liabilities	7,115,260	91,113,599	9,332,909	18,927	285,161
Total Liabilities	11,410,712	115,460,685	11,564,384	179,195	19,897,869
Net Position:					
Net Investment in Capital Assets	148,591	30,818,150	8,540,041	72,384	974,151
Restricted	545,679,120	110,659,532	—	—	—
Unrestricted	(6,306,337)	3,305,352	9,430,542	814,579	97,107,517
Total Net Position	\$ 539,521,374	\$ 144,783,034	\$ 17,970,583	\$ 886,963	\$ 98,081,668
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating Revenues	\$ 42,255,783	\$ 27,378,239	\$ 14,424,741	\$ 1,725,977	\$ 14,336,462
Operating Expenses	58,899,313	30,113,760	11,969,857	2,097,866	20,060,213
Operating Income (Loss)	(16,643,530)	(2,735,521)	2,454,884	(371,889)	(5,723,751)
Net Nonoperating Revenues (Expenses)	51,973,942	1,329,872	54,686	560,121	3,111,272
Other Revenues, Expenses, Gains, and Losses	18,582,037	4,124,231	—	—	—
Increase (Decrease) in Net Position	53,912,449	2,718,582	2,509,570	188,232	(2,612,479)
Net Position, Beginning of Year	485,608,925	142,064,452	15,461,013	698,731	100,694,147
Net Position, End of Year	\$ 539,521,374	\$ 144,783,034	\$ 17,970,583	\$ 886,963	\$ 98,081,668

				Other	Total
The John and Mable Ringling Museum of Art Foundation, Inc. 6/30/2013	Florida Medical Practice Plan, Inc. 6/30/2013	Florida State University Magnet Research and Development, Inc. 6/30/2013	The Florida State University Real Estate Foundation, Inc. 6/30/2013	Florida State University Schools, Inc. 6/30/2013	
\$ 2,654,825	\$ 3,993,964	\$ 2,249,364	\$ 8,162	\$ 14,387,592	\$ 224,713,848
154,264	—	—	917,833	23,345,686	148,194,649
1,769,110	—	—	900,001	100,202	637,328,973
4,578,199	3,993,964	2,249,364	1,825,996	37,833,480	1,010,237,470
72,621	1,650,610	1,116,320	11,114	1,176,318	54,673,972
—	—	—	—	15,581,853	123,447,709
72,621	1,650,610	1,116,320	11,114	16,758,171	178,121,681
154,264	—	—	—	7,203,309	47,910,890
2,406,916	—	—	1,181,764	—	659,927,332
1,944,398	2,343,354	1,133,044	633,118	13,872,000	124,277,567
\$ 4,505,578	\$ 2,343,354	\$ 1,133,044	\$ 1,814,882	\$ 21,075,309	\$ 832,115,789
\$ 1,505,185	\$ 11,816,514	\$ 1,138,168	\$ 1,258,111	\$ 12,926,375	\$ 128,765,555
1,673,720	1,679,190	803,182	69,311	12,152,662	139,519,074
(168,535)	10,137,324	334,986	1,188,800	773,713	(10,753,519)
66,003	(9,714,074)	62	—	(487,578)	46,894,306
—	—	—	—	216,912	22,923,180
(102,532)	423,250	335,048	1,188,800	503,047	59,063,967
4,608,110	1,920,104	797,996	626,082	20,572,262	773,051,822
\$ 4,505,578	\$ 2,343,354	\$ 1,133,044	\$ 1,814,882	\$ 21,075,309	\$ 832,115,789

17 CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position		
Assets		
Current Assets:		
Cash and Cash Equivalents	\$	8,132,881
Investments		400,180,376
Receivables, Net		7,308,613
Due from Component Units		10,998,701
Due from Other University Funds		39,079,627
Inventories		2,810,461
Other Current Assets		5,742,665
Total Current Assets		474,253,324
Other Noncurrent Assets		3,333,369
Total Assets		477,586,693
Liabilities		
Current Liabilities:		
Accounts Payable		13,866,485
Construction Contracts Payable		1,050,198
Salaries and Wages Payable		10,701,110
Due to Component Units		1,079,417
Due to Other University Funds		7,073,220
Unearned Revenue		14,816,831
Compensated Absences Payable		3,649,699
Total Current Liabilities		52,236,960
Noncurrent Liabilities:		
Compensated Absences Payable		53,509,356
Other Noncurrent Liabilities		5,046,297
Other Postemployment Benefits Payable		30,013,000
Total Noncurrent Liabilities		88,568,653
Total Liabilities		140,805,613
Total Net Position	\$	336,781,080

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

Revenues		
Operating Revenues:		
Student Tuition and Fees (1)	\$	314,723,378
Sales and Services of Auxiliary Enterprises		147,707,259
Sales and Services of Educational Departments		364,982
State and Local Grants and Contracts		535,708
Other Operating Revenues		7,116,352
Total Operating Revenues		470,447,679
Expenses		
Operating Expenses:		
Compensation and Employee Benefits		477,452,626
Services and Supplies		132,799,191
Utilities		35,555,886
Scholarships and Fellowships		69,991,504
Total Operating Expenses		715,799,207
Operating Loss		(245,351,528)
Nonoperating Revenues (Expenses)		
State Noncapital Appropriations		220,355,427
Noncapital Grants, Contracts, and Gifts		22,496,649
Investment Income		9,068,442
Net Decrease in Fair Value of Investments		(8,833,271)
Other Nonoperating Revenues		452,785
Other Nonoperating Expenses		(6,383,563)
Net Nonoperating Revenues		237,156,469
Loss Before Other Revenues, Expenses, Gains, or Losses		(8,195,059)
Capital Grants, Contracts, and Donations		4,096,940
Transfers to/from Other Funds		(68,927,123)
Decrease in Net Position		(73,025,242)
Net Position, Beginning of Year		409,806,322
Net Position, End of Year	\$	336,781,080

Note: (1) Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenues for the purposes of this disclosure.

18 SUBSEQUENT EVENTS

On August 22, 2013, the University received a \$44,852,331 distribution from the sale of Florida State University Dormitory Revenue Bonds, Series 2013A with a par value of \$42,495,000. The proceeds from this debt will be used to finance a portion of the cost of constructing a dormitory on the main campus of the University. The Revenue Bonds are secured by a pledge of the University's Housing Systems Revenues.

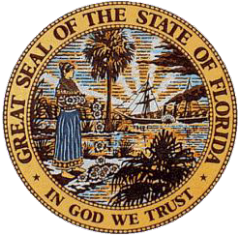
Other Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS— OTHER POST EMPLOYMENT BENEFITS PLAN

The July 1, 2011 unfunded actuarial accrued liability of \$137,982,000 was significantly higher than the July 1, 2009 liability of \$107,457,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)-(B)(1)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
7/1/2007	\$ —	\$ 67,043,000	\$ 67,043,000	0%	\$ 355,230,858	18.9%
7/1/2009	—	107,457,000	107,457,000	0%	344,724,148	31.2%
7/1/2011	—	137,982,000	137,982,000	0%	355,518,953	38.8%

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



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

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

Report on the Financial Statements

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 State 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2013, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational audit report No. 2014-037.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the result 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 report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 20, 2013
Audit Report No. 2014-075

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*Twenty-Two Years of Service
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