



ANNUAL REPORT



THE FLORIDA STATE UNIVERSITY

2008 -2009

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MESSAGE FROM THE PRESIDENT

As I leave my days as President behind, I have high hopes for its future — hopes based on the institution's unique heritage and hopes based on my own experiences, starting back in 1963, when I arrived as a bewildered, naïve 17-year-old freshman whose highest aspiration was to make it through my first semester.

The fact that I did make it through that first semester, then through my bachelor's, master's and doctoral degrees, is attributable to the very special people who make up this institution and who were willing to reach out to students like me.

Those things that made Florida State such an extraordinary place for me when I was a student included the ability to talk to a faculty member when I had a problem — professors like Tom King, Mode Stone, Coyle Moore, Harrison Chase, and Mel Hardee—people who taught me and so many others: “This is what a college education is all about.”

First and foremost, this place has always been all about the students. It's about Professor Jim Jones, who took pity on a 17-year-old freshman who didn't know what he was doing at registration and guided me through the process. It's about the faculty who say, “I'll teach another section rather than crowd Williams Hall” or “I'll write an extra grant” or “I'll stay for an extra lecture.” “I'll be online.” “I'll be at the office.” “You can come by and see me.” That's why I came to Florida State and, why 40,000 students are here today.

And that constant, unstinting focus on students is my hope for the future—next year, 10 years from now, a century from now.

My very best wishes to the faculty and staff who make The Florida State University such a proud and special place.

The State of the University address can be viewed online at <http://president.fsu.edu/state/>.



President, T.K. Wetherell

INTRODUCTION FROM THE SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

“Stock Market Down ... Unemployment Rate Up ... State Sales Tax Revenue Down” were the prominent topics of newspaper headlines and television news broadcasts during the 2008-2009 fiscal year. Nevertheless, in spite of all of the severe financial challenges, The Florida State University successfully conducted business, implemented cost-savings programs and, most importantly, accomplished our core mission of educating students. It was, without a doubt, the toughest financial year our institution has experienced since the early 1970s due to the additional \$23 million cut in state funding on top of the previous fiscal year’s multimillion-dollar reduction. Plummeting returns on institutional investments, and sweeping reductions in alumni and corporate donations, simply added to our financial problem. Fortunately, Florida State had strategically planned for the possibility of leaner times, which to some degree prepared us to deal with the economic impact on our bottom line. Through the efforts of the University’s Budget Crisis Committee, hundreds of cost-savings/revenue producing ideas were examined and those with the greatest potential for success were implemented.

With prior years’ construction funds already in the pipeline, FSU Facilities’ Design and Construction Office began or completed the design of nine major projects at a cost of nearly \$188 million and the construction of twelve major projects totaling \$280 million. These projects included a construction of a nearly 62,000 square foot Materials Research Building; a \$2.3 million expansion of the soccer/softball complex, which was completed in August 2009; initiation of funding for the design and site selection for an indoor tennis practice facility; completion of a feasibility study for the football indoor practice/track facility; and a dedication to the expansion of the track building, which received a Silver LEED rating. Even though we increased the existing building inventory by nearly 700,000 square feet, campus-wide energy conservation activities resulted in a savings of over \$3 million below projected utility costs.

Through the diligent work of our purchasing and IT departments, Florida State effectively implemented an on-line purchasing tool — E-Market — to enable the University to electronically track procurements in order to negotiate the best pricing for commonly purchased goods and services. As a result of last year’s implementation of eProcurement, Florida State received substantial rebates from its business partners: Office Max, FedEx, GovConnection, HP and VWR. As more areas of the University begin to utilize this on-line catalog purchasing tool, the expectation is for the prices to decrease and the rebates to increase to help address the economic realities.

In January, the University launched its inaugural Compensation and Benefits Statements so that both faculty and staff could better understand the depth and scope of their total employment package. Due to the overwhelmingly positive response, Florida State will now distribute these informative statements on an annual basis. Also, for the first time this year, employees were given the opportunity to receive their W-2 forms electronically, which resulted in a 39% reduction of paper copies.

The University firmly believes in empowering employees by providing them with the tools to assist in making informed decisions, especially when it comes to planning for the future in these difficult economic times. This past spring, the Employee Assistance Program partnered with Human Resources and the FSU Career Center to coordinate and publicize available support services, which included the development of a comprehensive web site. Thanks to President T.K. Wetherell, additional grant money for the Employee Emergency Loan Fund was made available to eligible employees experiencing financial emergencies.



John R. Carnaghi

As many know, this will be the final fiscal year under Dr. Wetherell’s leadership. He led us during the “best of times” and the “worst of times” over the past seven years. Our students will now be the true beneficiaries of his experiences as CEO of a major research university when Dr. Wetherell begins the next phase of his life adventure as a professor in the College of Education. We will miss the assertiveness, humor, and unyielding passion for Florida State that he brought to every project he addressed. T.K., thank you for your unwavering support.

OVERVIEW

MISSION

Florida State 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, Florida State 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

Florida State University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by 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 4,056 in 1947 to an enrollment of 39,136 in the fall semester of 2008.

CAMPUS / CENTERS / PROGRAMS

In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges and schools. It has expanded to over 539 buildings on approximately 1,550 acres, including the downtown Tallahassee main campus of 452 acres, the Ringling Museum of 57 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.

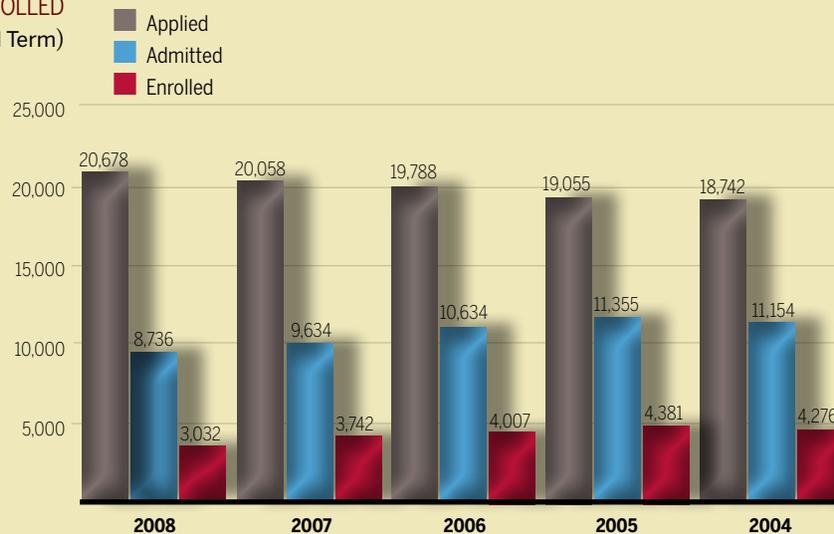
Through Academic and Professional Program Services, the University offers courses and degree programs online and at many off-campus sites around the state, non-credit programs, workshops, seminars and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota,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

STUDENTS

As a major comprehensive residential state university, Florida State attracts students from every county in Florida, every state in the nation and more than 130 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes some 72 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. It also provides alternative admissions and highly successful retention programs for special student populations. Most students pursue a full-time course of study in normal progression from high school or undergraduate institutions.

Graduate students comprise more than 21.4 percent of the student body and are enrolled in 190 graduate degree programs, including 73 doctoral programs.

FRESHMAN
APPLIED,
ADMITTED, AND
ENROLLED
(Fall Term)



FINANCIAL AID ADMINISTERED

	Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	12,726	\$ 22,040,670
Academic Competitiveness Grant (ACG)	2,339	1,094,176
SMART Grant	391	765,913
SEOG	2,009	1,002,967
Federal College Work Study	1,288	1,310,459
TEACH Grant	7	10,371
Community Service Learning Program	224	245,132
Perkins Student Loans	294	603,466
Stafford Loans:		
Subsidized	27,698	73,885,578
Unsubsidized	28,093	89,013,523
Plus/Plug	2,002	10,513,415
NFSL/Private Loans	1,478	6,583,015
Total Federal Financial Aid Administered	78,549	\$ 207,068,685
State Programs		
Florida Student Assistance Grants (FSAG)	5,112	\$ 4,501,220
Bright Futures Scholarships	37,558	52,166,438
First Generation Grant	1,355	2,730,842
Florida Public School Work Experience (FWEP)	52	56,188
Other Scholarships	296	282,978
Total State Scholarships & Grants Administered	44,373	\$ 59,737,666
Institutional Programs		
FSU Delayed Delivery Loans & Emergency Loans	2,008	\$ 1,730,403
Merit Scholarships	6,939	7,634,973
Tuition Waivers	11,712	36,353,235
Florida State University Grants	12,052	12,272,471
Other Institutional Grants	4,092	7,502,333
Total Institutional Loans, Scholarships & Grants Administered	36,803	\$ 65,493,415
Foundation Scholarships	3,496	4,217,086
Private Scholarships	3,977	4,620,784
Total Financial Aid Administered		\$ 341,137,636

Note: Individuals may receive multiple awards within a year.

HEADCOUNT BY
SCHOOL/COLLEGE (Fall Term)

	2008	2007	2006	2005	2004
Arts & Sciences	8,842	9,312	9,113	8,629	7,925
Business	6,145	6,308	6,086	6,217	6,302
Communication	1,615	1,752	1,670	1,786	1,858
Criminology & Criminal Justice	1,342	1,378	1,407	1,420	1,529
Education	2,941	3,360	3,396	3,261	2,998
Engineering	1,608	1,739	1,716	1,701	1,652
Human Sciences	3,170	3,174	3,135	3,125	2,887
Information	1,125	1,144	1,139	1,077	1,150
Law	762	766	758	764	740
Medicine	435	374	297	229	177
Motion Pictures, TV & Recording Arts	181	181	178	213	221
Music	1,120	1,184	1,153	1,165	1,152
Nursing	906	905	918	961	1,027
Social Sciences	4,704	4,669	4,385	3,979	3,612
Social Work	694	751	792	765	727
Theatre (combined)	-	-	-	-	502
Visual Arts, Theatre & Dance	1,615	1,829	1,784	1,712	1,206
Undecided/Special	1,931	2,239	2,547	2,648	3,221
Total	39,136	41,065	40,474	39,652	38,886

DEGREES AWARDED -
ACADEMIC YEAR

	2008-09	2007-08	2006-07	2005-06	2004-05
Bachelor's	7,630	7,615	7,189	6,938	6,856
Master's	2,129	2,075	1,989	1,821	1,681
Specialist	47	62	54	51	44
Juris Doctorate	263	305	233	240	276
Doctorate	343	368	350	325	274
M.D.	74	57	48	36	27
Total	10,486	10,482	9,863	9,411	9,158

FACULTY

It is the official policy of The Florida State University to recruit the most talented faculty from leading centers of learning throughout the world. The Florida State 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 rankings in a number of disciplines.

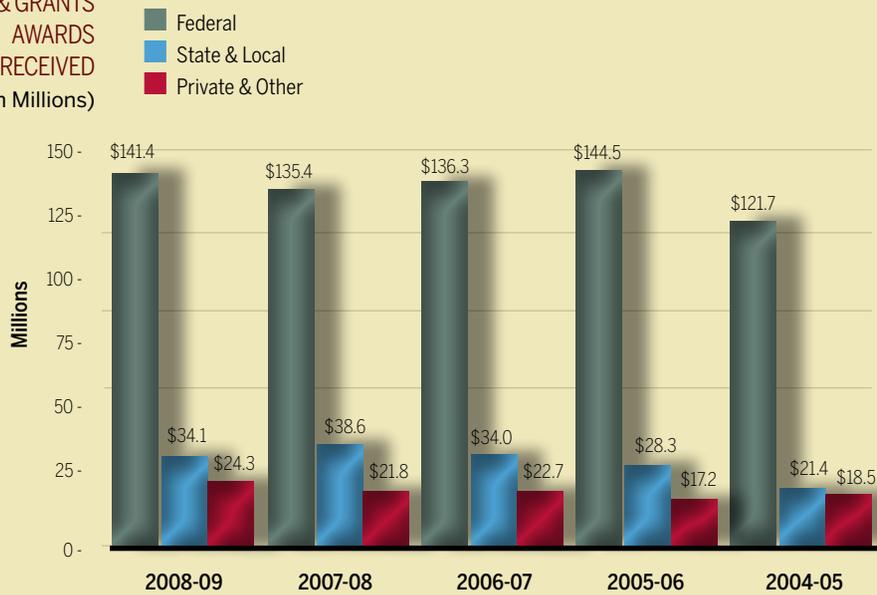
FACULTY DATA

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/Student Ratio
2004-05	1,794	87	745	1,651	22:1
2005-06	1,842	53	762	1,743	22:1
2006-07	1,868	60	790	1,774	21:1
2007-08	1,932	56	836	1,829	21:1
2008-09	1,944	65	822	1,848	21:1

RESEARCH

Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In the 2008-09 fiscal year, Florida State University faculty and administrators generated more than \$199 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

Florida State University's library system, which ranks among the nation's top research libraries, is made up of eight libraries and fifteen subject-specific reading rooms. The libraries' total collection includes more than 3.4 million volumes of books and periodicals, and 9 million microforms. Also, access to 440 subscription databases, 477,476 e-books, and 42,622 electronic 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 ON 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, 2009, which collectively comprise the University's basic financial statements as shown on pages 15 through 35. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Florida State University and of its aggregate discretely presented component units as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, Florida State University Magnet Research and Development, Inc., reported financial activities for the 16-month period ended June 30, 2008. This affects the comparability of amounts reported for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is included as a part of our separately issued audit report on the University.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 9 through 14, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 36, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Senior Vice President for Finance and Administration, and the University Overview are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Message from the President (page 1), the Introduction from the Senior Vice President for Finance and Administration (page 2), and the University Overview (pages 3 through 6) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA

January 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) provides an overview of Florida State University's financial performance based on currently known facts, decisions, and conditions; and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the University as a whole. This overview is required by 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, are the responsibility of University management. The MD&A should be read in conjunction with the financial statements and notes thereto.

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. While audited financial statements for the 2007-08 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases.

OVERVIEW OF FINANCIAL STATEMENTS

THE STATEMENT OF NET ASSETS

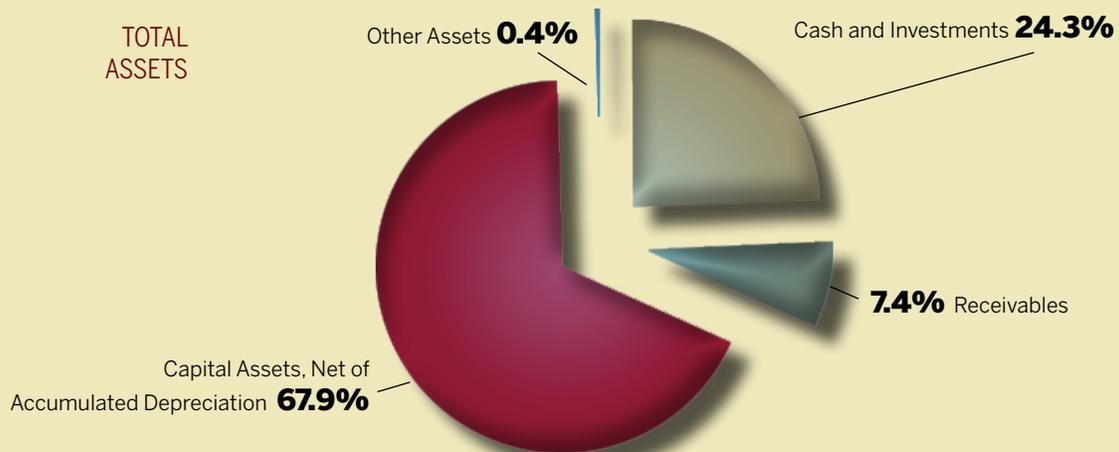
The statement of net assets presents the financial position of the University at fiscal year end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenses by the University. The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year when considered with nonfinancial facts, such as enrollment levels and the condition of the facilities.

The following table shows a condensed statement of net assets at June 30:

	2009	2008	
CONDENSED STATEMENT OF NET ASSETS (in Thousands)	Assets		
	Current Assets	\$ 662,422	\$ 607,986
	Capital Assets, Net	1,520,147	1,472,980
	Other Noncurrent Assets	57,041	58,474
	Total Assets	<u>2,239,610</u>	<u>2,139,440</u>
	Liabilities		
	Current Liabilities	138,857	122,420
	Noncurrent Liabilities	304,874	286,894
	Total Liabilities	<u>443,731</u>	<u>409,314</u>
	Net Assets		
	Invested in Capital Assets, Net of Related Debt	1,284,138	1,226,832
	Restricted	169,063	190,639
	Unrestricted	342,678	312,655
	Total Net Assets	<u>\$ 1,795,879</u>	<u>\$ 1,730,126</u>

Assets are what the University owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets

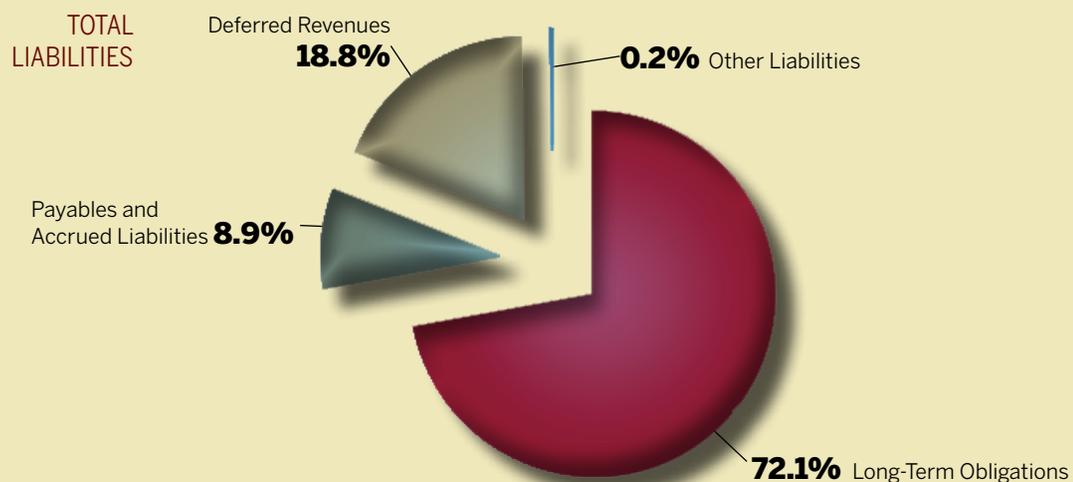
are categorized as either current or noncurrent. Current assets are generally considered to be convertible to cash within one year. The following chart presents assets by percent:



Total assets of the University increased by \$100.2 million during the 2008-09 fiscal year. There was an increase in net capital assets of \$47.2 million. During the 2008-09 fiscal year, disbursements of \$105.8 million were made for construction to complete buildings, to continue projects in progress, to begin new construction, and for other capital related expenses. Additional capital assets were donated by direct-support organizations. Major projects completed during the 2008-09 fiscal year include:

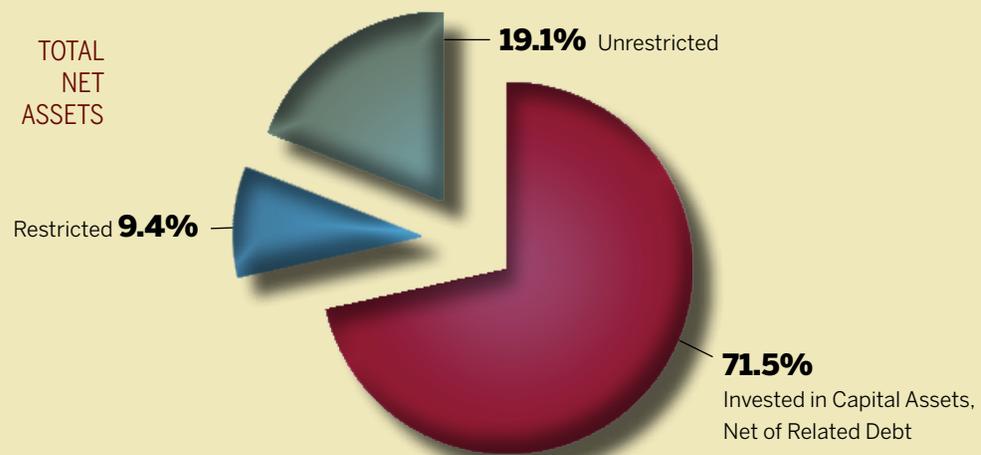
MAJOR PROJECTS COMPLETED	Project	Amount
(In Thousands)	Holley Academic Center - Panama City	\$ 30,280
	Psychology Center Building 2	26,336
	Parking Garage 5	17,239
	Materials Research Building	16,377
	College of Education Building Expansion	14,631

Liabilities are what the University owes to others or what it has collected from others before it has provided the related services. Liabilities are also categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable within the next year. The following chart presents liabilities by percent:



As of June 30, 2009, total liabilities were \$443.7 million, compared to \$409.3 million at the end of the 2007-08 fiscal year. A new bond issue for campus construction projects increased liabilities by \$8.5 million. Deferred revenues increased by \$24.9 million mainly for construction appropriations not yet earned.

Net assets are divided into three categories. Invested in capital assets, net of related debt, represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation. Restricted net assets include amounts that have been restricted for use by an external party and are further broken down into nonexpendable and expendable. Restricted expendable net assets include amounts restricted by external parties for such things as debt service, student loans, and capital projects. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs and for working capital requirements. The following chart represents net asset categories by percent:



At June 30, 2009, net assets were \$1.8 billion, up 3.8 percent from the 2007-08 fiscal year. The largest increase was in invested in capital assets, net of related debt, which grew by \$57.3 million as described above.

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

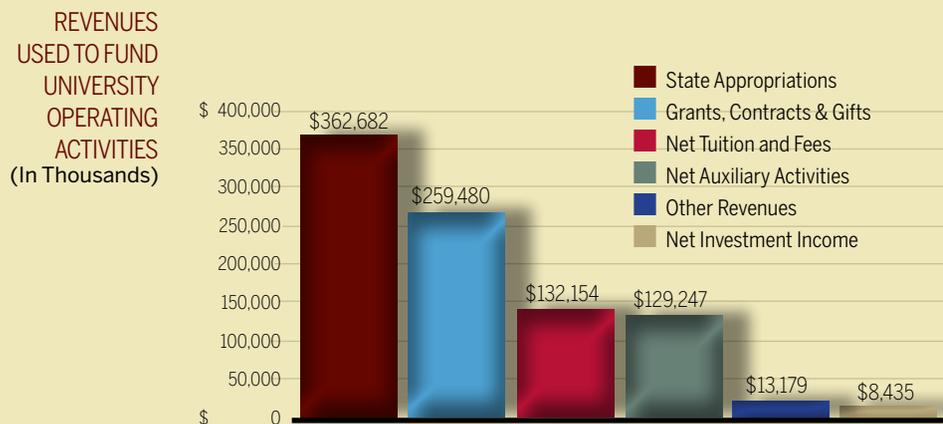
The statement of revenues, expenses, and changes in net assets presents the University's revenues earned and the expenses incurred during the 2008-09 fiscal year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating.

The following table shows a condensed statement of revenues, expenses, and changes in net assets for the 2008-09 and 2007-08 fiscal years:

	2008-09	2007-08	
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (In Thousands)	Operating Revenues	\$ 432,863	\$ 446,901
	Operating Expenses	(870,250)	(855,288)
	Operating Loss	(437,387)	(408,387)
	Net Nonoperating Revenues	436,386	456,111
	Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,001)	47,724
	Net Other Revenues	66,754	101,846
	Increase In Net Assets	65,753	149,570
	Net Assets, Beginning of Year	1,730,126	1,580,556
	Net Assets, End of Year	\$ 1,795,879	\$ 1,730,126

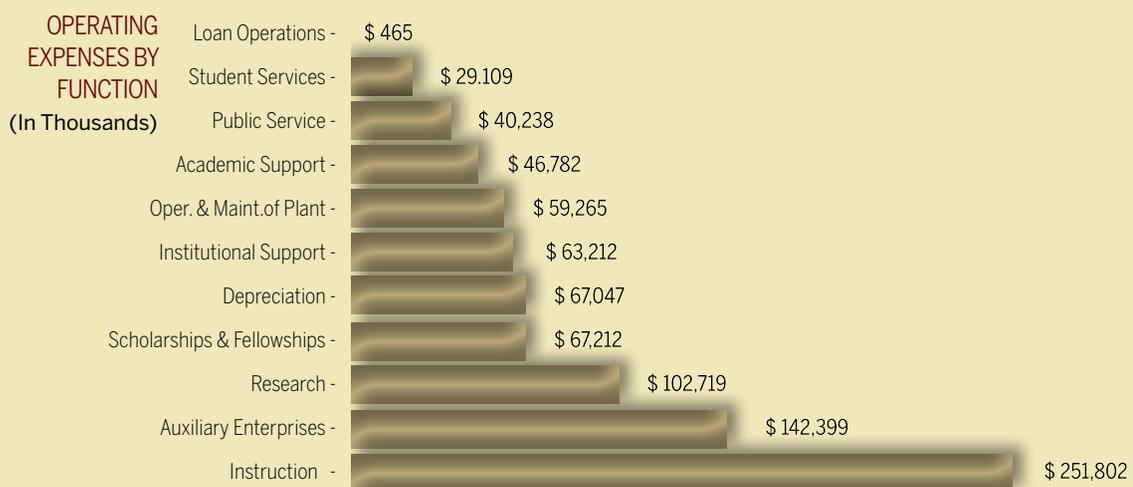
Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including State appropriations, gifts, and investment income, are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets.

The following chart represents revenues for operating activities for the 2008-09 fiscal year:



Revenues used to fund operating activities were reduced by 2.6 percent for the 2008-09 fiscal year. State appropriations decreased by 2.5 percent due to budget constraints for the State of Florida.

The following chart presents expenses (by function) used for operating activities for the 2008-09 fiscal year:



Operating expenses increased 1.8 percent for the fiscal year. Expenses for operations and maintenance of plant increased by \$8.4 million compared to last fiscal year, due in part to a 13.5 percent increase in utility costs.

THE STATEMENT OF CASH FLOWS

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

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

CONDENSED STATEMENT OF CASH FLOWS (In Thousands)	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (351,961)	\$ (357,612)
Noncapital Financing Activities	444,095	447,804
Capital and Related Financing Activities	(73,509)	(78,014)
Investing Activities	<u>(11,434)</u>	<u>(17,602)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,191	(5,424)
Cash and Cash Equivalents, Beginning of Year	9,136	14,560
Cash and Cash Equivalents, End of Year	<u>\$ 16,327</u>	<u>\$ 9,136</u>

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

At June 30, 2009, the University had \$2.1 billion invested in capital assets, less accumulated depreciation of \$0.6 billion, for net capital assets of \$1.5 billion. Depreciation expense totaled \$67 million for the 2008-09 fiscal year. Major capital project expenses for the 2008-09 fiscal year included the College of Education Building expansion (\$7 million), the new Psychology Center (\$7.5 million), Ruby Diamond Auditorium (\$13.7 million), the new Center for Academic and Professional Program Services (\$12 million), the new Panama City Holley Academic Center (\$12.4 million), and the Student Success Building (\$9.6 million).

The following table summarizes the University's construction commitments remaining at June 30, 2009:

CONSTRUCTION COMMITMENTS (In Thousands)	Amount
Total Committed	\$ 203,657
Completed to Date	<u>(65,045)</u>
Balance Committed	\$ <u>138,612</u>

At June 30, 2009, the University had \$245.2 million of outstanding bonds compared to \$246.4 million at June 30, 2008. During the 2008-09 fiscal year, \$8.5 million of bonds were issued for campus construction projects and \$9.7 million of principal payments were made.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Florida Economic Estimating Conference last met on December 4, 2009, to revise the August forecast for the State's economy. The forecast noted total collections were running slightly above expectations, or 1.6 percent above the estimate from August forecast the 2009-10 fiscal year. The 2010-11 fiscal year forecast remained positive with projected growth of 6.6 percent over the revised 2009-10 fiscal year estimate.

Underlying the forecast is the assumption that the extreme financial and economic stress that began over a year ago will improve with the beginning of the new calendar year. Thereafter, months of modest growth are expected before full recovery begins in earnest in the spring of 2011.

During the 2008-09 fiscal year \$14 million in State appropriations reductions were made to the beginning Educational and General operating budget of \$491.3 million or about 2.8 percent.

Despite budget cuts for the 2008-09 fiscal year, State appropriations totaled \$362.7 million for operations and another \$48.2 million in capital appropriations. State scholarships and grants of \$59.7 million allowed thousands of students the opportunity for a valuable education.

The Florida State University has a strong reputation for operational efficiency, as well as academic excellence. While the State continues to demonstrate financial support for higher education in Florida, it 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 2008-09 fiscal year, tuition and fee revenues increased by \$8.2 million even with a 4.7 percent reduction in student headcount for the Fall 2008. This increase was possible due to a differential tuition instituted for undergraduate students in Fall 2008. Also, other per-credit-hour fees were increased from 4 to 8 percent. Effective Fall 2009, a technology fee of up to 5 percent of the tuition rate took effect. In the most recent University enrollment plan, small percentage increases in enrollment are estimated. Given the increases in fees and small increases estimated for enrollment, tuition will continue to increase for the near future.

Increased fee revenues will assist the University in providing quality programs, and the University's direct support organizations never fail to provide assistance in many ways. Foundation and private scholarships continue to add to academic programs.

Once again the University finished the 2008-09 fiscal year with an increase in total net assets over the previous year and is well positioned to continue providing excellence in educational programs. The University's tuition levels remain relatively low and continue to attract top students. Also, the solid support from the State, the ability to attract new research funding, and the outstanding fundraising capabilities are among the factors indicating a bright future for the University.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto and other required information, 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 ASSETS

June 30, 2009
(In Thousands)

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,308	\$ 20,630
Investments	490,943	155,976
Accounts Receivable, Net	32,116	29,397
Loans and Notes Receivable, Net	2,157	97
Due from State	108,372	-
Due from Component Units/University	8,153	7,409
Inventories	2,861	191
Other Current Assets	1,512	2,647
Total Current Assets	<u>662,422</u>	<u>216,347</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19	8,315
Restricted Investments	37,184	377,858
Loans and Notes Receivable, Net	14,248	51
Depreciable Capital Assets, Net	1,333,035	129,178
Nondepreciable Capital Assets	187,112	28,372
Other Noncurrent Assets	5,590	96,495
Total Noncurrent Assets	<u>1,577,188</u>	<u>640,269</u>
TOTAL ASSETS	<u>\$ 2,239,610</u>	<u>\$ 856,616</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 13,792	\$ 19,039
Construction Contracts Payable	8,861	868
Salaries and Wages Payable	6,174	309
Deposits Payable	2,642	17
Due to Other State Universities	199	-
Due to State	326	-
Due to Component Units/University	7,403	11,818
Deferred Revenue	83,252	23,657
Other Current Liabilities	937	12,050
Long-Term Liabilities - Current Portion:		
Bonds Payable	10,074	2,720
Loans and Notes Payable	-	995
Installment Purchases Payable	1,387	-
Accrued Self-Insurance Claims	95	-
Compensated Absences Payable	3,715	339
Total Current Liabilities	<u>\$ 138,857</u>	<u>\$ 71,812</u>
Noncurrent Liabilities:		
Bonds Payable	\$ 235,099	\$ 84,939
Loans and Notes Payable	-	12,999
Installment Purchases Payable	1,670	-
Accrued Self-Insurance Claims	853	-
Compensated Absences Payable	47,011	942
Other Noncurrent Liabilities	16,564	21,975
Postemployment Healthcare Benefits Payable	3,677	-
Total Noncurrent Liabilities	<u>304,874</u>	<u>120,855</u>
TOTAL LIABILITIES	<u>\$ 443,731</u>	<u>\$ 192,667</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 1,284,138	\$ 56,827
Restricted for Nonexpendable:		
Endowment	-	402,488
Restricted for Expendable:		
Debt Service	445	-
Loans	4,021	-
Capital Projects	59,487	-
Other	105,110	49,996
Endowment	-	92,231
Unrestricted	342,678	62,407
TOTAL NET ASSETS	<u>1,795,879</u>	<u>663,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,239,610</u>	<u>\$ 856,616</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2009
(In Thousands)

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$96,848 (\$7,302 Pledged for Parking Facility Revenue Bonds)	\$ 132,154	\$ -
Federal Grants and Contracts	126,131	-
State and Local Grants and Contracts	29,170	-
Nongovernmental Grants and Contracts	2,982	-
Sales and Services of Educational Departments	1,443	-
Sales and Services of Auxiliary Enterprises (\$2,106 Pledged for Parking Facility Revenue Bonds and \$30,361 Pledged for Housing Facility Revenue Bonds)	129,247	-
Sales and Services of Component Units	-	20,371
Royalties and Licensing Fees	-	14,564
Gifts and Donations	-	51,195
Interest on Loans and Notes Receivable	245	-
Other Operating Revenues	11,491	11,747
Total Operating Revenues	<u>432,863</u>	<u>97,877</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	513,723	29,902
Services and Supplies	171,991	89,547
Utilities and Communications	50,128	850
Scholarships, Fellowships, and Waivers	67,212	-
Depreciation	67,047	5,879
Self-Insurance Claims and Expense	149	-
Total Operating Expenses	<u>870,250</u>	<u>126,178</u>
Operating Loss	<u>(437,387)</u>	<u>(28,301)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	362,682	-
Federal and State Student Financial Aid	82,618	-
Noncapital Grants, Contracts, and Gifts	18,579	-
Investment Income	13,958	(5,577)
Unrealized Losses on Investment	(5,523)	(78,325)
Investment Expense	-	(13)
Other Nonoperating Revenues	1,833	3,021
Loss on Disposal of Capital Assets	(3,989)	-
Interest on Capital Asset-Related Debt	(10,784)	(1,564)
Other Nonoperating Expenses	(22,988)	(4,562)
Net Nonoperating Revenues (Expenses)	<u>436,386</u>	<u>(87,020)</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,001)	(115,321)
Capital Appropriations	48,172	-
Capital Grants, Contracts, Donations, and Fees	18,582	5,534
Reductions to Permanent Endowments	-	(114)
Increase (Decrease) in Net Assets	<u>65,753</u>	<u>(109,901)</u>
Net Assets, Beginning of Year	1,730,126	773,850
Net Assets, End of Year	\$ <u>1,795,879</u>	\$ <u>663,949</u>

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

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2009
(In Thousands)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 132,168
Grants and Contracts	156,506
Sales and Services of Educational Departments	1,449
Sales and Services of Auxiliary Enterprises	129,010
Interest on Loans and Notes Receivable	245
Other Operating Receipts	8,097
Payments to Employees	(508,692)
Payments to Suppliers for Goods and Services	(204,367)
Payments to Students for Scholarships and Fellowships	(67,212)
Payments on Self-Insurance Claims	(13)
Net Loans to Students	848
Net Cash Used by Operating Activities	<u>(351,961)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	362,682
Federal and State Student Financial Aid	101,197
Noncapital Subsidies and Transfers	(5,304)
Net Change in Funds Held for Others	(371)
Other Nonoperating Receipts	1,481
Other Nonoperating Disbursements	(15,590)
Net Cash Provided by Noncapital Financing Activities	<u>444,095</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	8,407
Capital Appropriations	75,041
Capital Grants, Contracts, Donations, and Fees	13,748
Capital Subsidies and Transfers	(21,115)
Other Receipts for Capital Projects	352
Purchase or Construction of Capital Assets	(128,865)
Principal Paid on Capital Debt	(9,570)
Interest Paid on Capital Debt	(11,507)
Net Cash Used by Capital and Related Financing Activities	<u>(73,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(25,607)
Investment Income	14,173
Net Cash Used by Investing Activities	<u>(11,434)</u>
Net Increase in Cash and Cash Equivalents	7,191
Cash and Cash Equivalents, Beginning of Year	9,136
Cash and Cash Equivalents, End of Year	\$ <u><u>16,327</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (437,387)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	67,047
Change in Assets and Liabilities:	
Loans and Notes Receivable, Net	1,312
Other Receivables, Net	(2,036)
Inventories	778
Other Assets	(228)
Accounts Payable	1,895
Salaries and Wages Payable	1,380
Accrued Insurance Claims	(13)
Deposits Payable	(1,361)
Compensated Absences Payable	1,856
Postemployment Healthcare Benefits Payable	1,795
Deferred Revenue	(1,990)
Other Liabilities	14,991
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(351,961)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Blended Component Unit. Based on 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. The Self-Insurance Program was created on July 1, 2006, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes, and provides professional and general liability protection for faculty, medical residents, and students of the College of Medicine.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) and The Florida State University Schools, Inc., (not a direct-support organization) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

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. Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. 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. – 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-Aboard Programs in England, Italy, Costa Rica, and other sites.

Florida State University Alumni Association, Inc. – 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 Florida State 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. – 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. – 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. – The Magnet Research and Development Organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of Florida State University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design. In the 2007-08 fiscal year, the Magnet Research and Development, Inc., reported financial activities for a 16-month period to report activities from the date of inception (March 5, 2007) through June 30, 2008. This affects the comparability of amounts reported for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

Florida State University Schools, Inc. – The Developmental Research 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 2008-09 fiscal year.

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.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- ◆ Management's Discussion and Analysis
- ◆ Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- ◆ Other Required Supplementary Information

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts.

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

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 \$1,000 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 principal amounts of bonds payable, installment purchases payable, accrued self-insurance claims, compensated absences payable, other noncurrent liabilities, and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (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 not adopted a written investment policy. As such, pursuant to

Section 218.415(17) and 1011.42(5), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2009, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 523,841,837
State Board of Administration Debt Service Accounts	410,123
United States Government and Federally-Guaranteed Obligations	3,865,696
Money Market Funds	9,500
Total University Investments	\$ <u>528,127,156</u>

External Investment Pool

The University reported investments at fair value totaling \$523,841,837 at June 30, 2009, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2009. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$410,123 at June 30, 2009, in the State Board of Administration (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 more than three months. The University relies on policies developed by SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other University Investments

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have an investment policy that limits the maturity dates of investments as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market funds totaling \$9,500, have a maturity date of less than one year. Investment in United States Government and Federally-Guaranteed Obligations totaling \$3,066,496 have maturity dates between one to five years, while the remaining \$799,200 has maturity dates of less than one year.

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, 2009, the University had money market funds with a quality rating of AAAM by Standard and Poor's.

Component Units Investments

Investments held by the University's component units at June 30, 2009, are reported at fair market value as follows:

Investment Type	The Florida State University Foundation, Inc.	Florida State University Alumni Association, Inc.	Seminole Boosters, Inc.	The Florida State University Research Foundation, Inc.	The John and Mable Ringling Museum of Art Foundation, Inc.	Florida State University Schools, Inc.	Total
External Investment Pools:							
SBA - LGIP	\$ 35,706,779	\$ -	\$ -	\$ 103,188,619	\$ -	\$ -	\$ 138,895,398
SBA - Fund B	253,920	-	-	1,141,712	-	-	1,395,632
SBA - CAMPDE	-	-	-	156,045	-	-	156,045
SBA - CAMPFI	-	-	-	8,988	-	-	8,988
SBA - CAMPMM - Restricted	-	-	-	272,195	-	-	272,195
Certificates of Deposit	-	112,169	-	-	-	-	112,169
Stocks and Other Equity Securities	162,436,034	-	5,069,345	-	-	-	167,505,379
U.S. Government Obligations	24,101,348	-	-	-	1,754,506	-	25,855,854
Bonds and Notes	40,289,936	-	-	-	-	-	40,289,936
Real Estate Contracts	9,095,360	-	8,479,612	-	-	-	17,574,972
Money Market and Mutual Funds	8,057,132	-	21,547,367	-	369,969	-	29,974,468
Investment Agreements	105,654,187	-	-	-	-	6,139,009	111,793,196
Total Component Unit Investments	\$ 385,594,696	\$ 112,169	\$ 35,096,324	\$ 104,767,559	\$ 2,124,475	\$ 6,139,009	\$ 533,834,232

External Investment Pools

State Board of Administration Local Government Surplus Funds Trust Fund

The Florida State University Foundation, Inc., (Foundation) and The Florida State University Research Foundation, Inc., (Research Foundation) reported investments at fair value totaling \$35,706,779 and \$103,188,619, respectively, at June 30, 2009, in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool at June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 46 days at June 30, 2009. 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 LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the SBA restructured the LGIP to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.045 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the LGIP.

At June 30, 2009, the Foundation and Research Foundation, reported investments at fair value of \$253,920 and \$1,141,712, respectively, for amounts held in the Fund B. The component units' investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The component units' investment in Fund B is unrated.

State Board of Administration Commingled Asset Management Program

The Research Foundation reported investments at fair value totaling \$437,228 at June 30, 2009, 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 Domestic Equities Index Pool (CAMPDE), the CAMP Fixed Income Index Pool (CAMPFI), and the CAMP Money Market Restricted Pool (CAMPMM - Restricted) as of June 30, 2009.

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 risks. The Research Foundation relies on policies developed by SBA for managing interest rate risk and credit risk for this account. The SBA has taken the position that participants in the CAMP Pools are required to disclose information related to interest rate risk and credit risk. These CAMP investments pools were not ranked by a nationally recognized rating agency as of June 30, 2009. As of June 30, 2009, the SBA was in the process of winding down the CAMPDE and CAMPFI Pools. During this phase-out period, these investments consisted of an investment in the CAMPMM - Restricted Pool. The WAM for these Pools at June 30, 2009, was 56 days. The next interest rate reset dates for floating-rate securities are used in the calculation of the WAM. The CAMPMM Restricted Pool principally consists of segregated securities, which are securities originally purchased for the CAMPMM - Restricted Pool 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 sales of securities, collateral liquidation, or other restructure and workout activities undertaken. The WAL (based on expected future cash flows) of CAMPMM - Restricted Pool at June 30, 2009, is estimated at 7.48 years. However, because CAMPMM - Restricted Pool consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Other Component Unit 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 John and Mable Ringling Museum of Art Foundation, Inc. (Ringling), investment policy limits the investment activity of the Fine Arts Endowment to United States Government securities with maturities not to exceed five years as a means of managing its exposure to fair value losses arising from increasing interest rates. Ringling's investment policy does not limit the investment maturities of the remaining 30 percent of its portfolio. The Seminole Boosters, Inc., and Florida State University Alumni Association, Inc., do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, money market and mutual funds, and certificates of deposit, have their future maturities at June 30, 2009, as follows:

Investment Type	Fair Value	Daily	Investment Maturities (In Years)	
			Less than 1	1-5
The John and Mable Ringling Museum of Art Foundation, Inc.				
U.S. Government Obligations	\$ 1,754,506	\$ -	\$ 448,230	\$ 1,306,276
Mutual Funds	369,969	-	369,969	-
Total	\$ 2,124,475	\$ -	\$ 818,199	\$ 1,306,276
Seminole Boosters, Inc.				
Money Market Funds	\$ 21,547,367	\$ 21,547,367	\$ -	\$ -
Florida State University Alumni Association, Inc.				
Certificates of Deposit	\$ 112,169	\$ -	\$ 112,169	\$ -

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. 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, 2009, The John and Mable Ringling Museum of Art Foundation, Inc., had \$369,969 of mutual funds that were not rated and Seminole Boosters, Inc., had \$21,547,367 of money market funds rated as AAAM by Standard and 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 John and Mable Ringling Museum of Art Foundation, Inc., the Seminole Boosters, Inc., and the Florida State University Schools, Inc., 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 John and Mable Ringling Museum of Art Foundation, Inc., investment policy provides that the maximum amount that may be invested in the securities of an individual issuer other than the United States Government and its agencies shall not exceed five percent of the market value of the portfolio. The Seminole Boosters, Inc., investment policy provides that investment in any one issuer must be limited to five percent at cost and seven percent of the market value of the portfolio. The Florida State University Schools, Inc., does not have a written investment policy addressing concentration of credit risk.

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2009, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 8,310,430
Contracts and Grants	18,305,517
Sales and Services of Educational Departments	36,718
Sales and Services of Auxiliary Enterprises	4,795,336
Interest	1,238,340
Other	628,734
Total Accounts Receivable	\$ <u>33,315,075</u>

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

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable, are reported net of allowances of \$1,199,414 and \$1,455,817, respectively, at June 30, 2009. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

4. DUE FROM STATE

This amount primarily consists of \$108,372,188 of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund, or other allocations due from the State 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, 2009. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. Some component units have 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 assets 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 assets.

Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using either the moving average, actual cost, or last invoice cost method.

7. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 48,388,935	\$ -	\$ -	\$ 48,388,935
Works of Art and Historical Treasures	73,486,165	203,474	12,000	73,677,639
Construction in Progress	100,684,398	100,805,524	136,444,578	65,045,344
Total Nondepreciable Capital Assets	\$ 222,559,498	\$ 101,008,998	\$ 136,456,578	\$ 187,111,918
Depreciable Capital Assets:				
Buildings	\$ 1,299,481,085	\$ 123,358,526	\$ 4,976,444	\$ 1,417,863,167
Infrastructure and Other Improvements	111,942,328	3,244,531	-	115,186,859
Furniture and Equipment	300,197,499	26,526,035	22,593,089	304,130,445
Library Resources	101,584,811	6,780,412	1,258,669	107,106,554
Computer Software and Other Capital Assets	27,704,009	2,132,372	266,574	29,569,807
Total Depreciable Capital Assets	1,840,909,732	162,041,876	29,094,776	1,973,856,832
Less, Accumulated Depreciation:				
Buildings	259,741,855	27,163,294	1,735,592	285,169,557
Infrastructure and Other Improvements	35,893,515	3,992,937	-	39,886,452
Furniture and Equipment	202,481,919	25,051,322	13,605,274	213,927,967
Library Resources	70,999,099	6,925,289	1,258,669	76,665,719
Computer Software and Other Capital Assets	21,373,453	3,914,254	116,030	25,171,677
Total Accumulated Depreciation	590,489,841	67,047,096	16,715,565	640,821,372
Total Depreciable Capital Assets, Net	\$ 1,250,419,891	\$ 94,994,780	\$ 12,379,211	\$ 1,333,035,460

8. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds, student tuition and fees, and other revenue received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	\$ 62,130,000
Athletic Revenues	7,759,823
Sponsored Research	7,101,798
Housing Fees	6,205,098
Other	55,502
Total Deferred Revenue	\$ <u>83,252,221</u>

9. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, include bonds, installment purchases, compensated absences, self-insurance claims, other noncurrent liabilities, and postemployment healthcare benefits payable. Other noncurrent liabilities consist mainly of Federal Perkins Loan capital contributions. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 246,377,660	\$ 8,543,158	\$ 9,747,716	\$ 245,173,102	\$ 10,074,420
Installment Purchases Payable	3,751,222	1,006,420	1,700,550	3,057,092	1,387,160
Accrued Self-Insurance Claims	812,481	149,072	12,999	948,554	94,855
Compensated Absences Payable	48,869,467	5,570,942	3,714,823	50,725,586	3,714,823
Other Noncurrent Liabilities	-	16,564,103	-	16,564,103	-
Postemployment Healthcare Benefits Payable	1,882,000	4,484,000	2,689,000	3,677,000	-
Total Long-Term Liabilities	\$ <u>301,692,830</u>	\$ <u>36,317,695</u>	\$ <u>17,865,088</u>	\$ <u>320,145,437</u>	\$ <u>15,271,258</u>

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

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1993 Housing	\$ 3,500,000	\$ 1,950,000	3.0	2022
2001 Housing	9,000,000	7,570,375	4.1 - 5.0	2030
2001 Parking	10,310,000	7,591,490	4.4 - 5.125	2022
2001A Housing	25,500,000	22,016,529	4.2 - 5.0	2031
2003A Parking	5,585,000	2,689,733	3.1 - 3.75	2014
2003B Parking	15,645,000	12,044,911	3.0 - 4.5	2023
2004A Housing	23,145,000	19,560,699	2.6 - 4.5	2034
2005A Parking	11,270,000	9,773,578	3.75 - 5.0	2025
2005A Housing	71,285,000	71,023,925	3.5 - 5.0	2035
2005A Dining	10,000,000	8,825,000	5.083 (2)	2025
2007A Parking	13,230,000	12,134,027	4.0 - 4.625	2026
Total Auxiliary Revenue Bonds	<u>198,470,000</u>	<u>175,180,267</u>		
State University System Revenue Bonds:				
1997A Series	13,060,541	8,835,517	4.75 - 5.0	2016
1998 Series	7,501,901	5,090,243	4.4 - 5.0	2023
2001 Series	8,130,986	6,394,722	4.0 - 5.0	2026
2003A Series	10,512,253	4,358,023	5.0	2013
2005A Series	3,947,642	3,257,975	3.625 - 4.125	2022
2006A Series	14,660,596	13,994,502	4.0 - 5.0	2030
2008A Series	8,543,158	8,346,853	4.0 - 6.5	2033
Total State University System Revenue Bonds	<u>66,357,077</u>	<u>50,277,835</u>		
2001 Research Foundation Revenue Bonds	22,590,000	19,715,000	4.0 - 4.875	2031
Total	\$ <u>287,417,077</u>	\$ <u>245,173,102</u>		

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

(2) Rate listed is for interest payments through July 1, 2012. Rates are still to be determined for interest payments due after July 1, 2012.

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

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

On December 15, 2008, the Board of Governors issued the University System Improvement Revenue Bonds, Series 2008A for buildings and facilities for eleven universities. Florida State University's portion of the proceeds totaled \$8,543,158 of the \$60 million issued.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 10,074,420	\$ 11,363,899	\$ 21,438,319
2011	10,453,015	10,963,258	21,416,273
2012	10,878,090	10,536,239	21,414,329
2013	11,376,237	10,086,568	21,462,805
2014	10,749,367	9,601,477	20,350,844
2015-2019	53,132,913	40,773,762	93,906,675
2020-2024	57,968,670	27,797,491	85,766,161
2025-2029	44,037,004	14,923,488	58,960,492
2030-2034	30,624,670	5,027,432	35,652,102
2035	3,830,000	191,500	4,021,500
Subtotal	243,124,386	141,265,114	384,389,500
Less: Unamortized Loss on Refundings	(1,063,031)	-	(1,063,031)
Plus: Unamortized Premiums and Discounts, Net	3,111,747	-	3,111,747
Total	\$ 245,173,102	\$ 141,265,114	\$ 386,438,216

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at \$7,154,984. The stated interest rates ranged from 2.43 percent to 6.00 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 1,426,279
2011	637,856
2012	451,623
2013	214,191
2014	134,412
2015-2017	369,632
Total Minimum Payments	3,233,993
Less, Amount Representing Interest	176,901
Present Value of Minimum Payments	\$ 3,057,092

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$50,725,586. The current portion of the compensated absences liability is the amount expected

to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

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

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

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 566 retirees received postemployment healthcare benefits. The University provided required contributions of \$2,689,000 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 \$3,545,000.

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

Amount	Description
Normal Cost (Service Cost for One Year)	\$ 1,897,000
Amortization of Unfunded Actuarial Accrued Liability	2,171,000
Interest on Normal Cost and Amortization	<u>163,000</u>
Annual Required Contribution	4,231,000
Interest on Net OPEB Obligation	85,000
Adjustment to Annual Required Contribution	<u>(73,000)</u>
Annual OPEB Cost (Expense)	4,243,000
Contribution Toward the OPEB Cost	<u>(2,689,000)</u>
Increase in Net OPEB Obligation	1,554,000
Net OPEB Obligation, Beginning of Year	1,882,000
Actuarial Adjustment to Beginning Net OPEB Obligation	<u>241,000</u>
Net OPEB Obligation, End of Year	\$ <u>3,677,000</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	4,479,000	58%	1,882,000
2008-09	4,243,000	63%	3,677,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$62,971,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$62,971,000 and a funded ratio of 0. The covered payroll (annual payroll of active participating employees) was \$347,947,989 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.1 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and an actuarial update was used to estimate the 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps after eight years and nine years, respectively. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

10. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

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

- Notes:
- (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.
 - (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$15,239,238, \$15,534,272, and \$16,157,988, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 600 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$2,280,235.

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

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 2,076 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$17,412,977 and employee contributions totaled \$7,955,260.

11. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Johnston Building	\$ 49,239,164	\$ 5,022,710	\$ 44,216,454
Ruby Diamond Auditorium	38,079,341	15,460,129	22,619,212
Student Success Building	26,652,807	19,021,353	7,631,454
Center for Professional Development	18,146,933	12,479,960	5,666,973
Nursing/Health Facility	17,279,878	551,480	16,728,398
2008-09 Capital Renewal Projects	7,527,603	839,771	6,687,832
Ringling Circus Museum	6,812,385	58,011	6,754,374
Other (1)	39,918,886	11,611,930	28,306,956
Total	\$ 203,656,997	\$ 65,045,344	\$ 138,611,653

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, and fleet automotive liability. During the 2008-09 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person, and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. 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 University for claims and actions arising from the clinical activities of the faculty, medical residents, and students of the College of Medicine, and includes the College's two residency programs based at Sacred Heart Hospital in Pensacola, Florida.

The University is protected from 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, and \$1,000,000 per legislative claims bills, inclusive of the underlying waiver caps. The Self-Insurance Program provides \$250,000 per occurrence protection for 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, \$200,000 for all claims arising from an occurrence, and professional liability required by a hospital for education purposes not to exceed the 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 liabilities for the Self-Insurance Program during the 2008-09 and 2007-08 fiscal years 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
2007-08	\$ 425,269	\$ 387,212	\$ -	\$ 812,481
2008-09	812,481	149,072	12,999	948,554

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 assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

	Functional Classification	Amount
Instruction	\$	251,801,904
Research		102,719,468
Public Service		40,238,273
Academic Support		46,781,555
Student Services		29,109,226
Institutional Support		63,211,865
Operation and Maintenance of Plant		59,264,942
Scholarships and Fellowships		67,212,130
Depreciation		67,047,096
Auxiliary Enterprises		142,399,130
Loan Operations		464,961
Total Operating Expenses	\$	<u>870,250,550</u>

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 Parking and Housing facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Assets

	Parking Facility Revenue Bonds	Housing Facility Revenue Bonds
Assets		
Current Assets	\$ 5,398,389	\$ 21,952,536
Capital Assets, Net	62,897,915	165,584,537
Other Noncurrent Assets	1,250,209	22,011,195
Total Assets	<u>69,546,513</u>	<u>209,548,268</u>
Liabilities		
Current Liabilities	2,886,175	11,289,718
Noncurrent Liabilities	41,780,218	119,291,211
Total Liabilities	<u>44,666,393</u>	<u>130,580,929</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	19,103,813	44,622,739
Restricted - Expendable	3,279,356	22,381,563
Unrestricted	2,496,951	11,963,037
Total Net Assets	\$ <u>24,880,120</u>	\$ <u>78,967,339</u>

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

	Parking Facility Revenue Bonds	Housing Facility Revenue Bonds
Operating Revenues	\$ 9,407,903	\$ 30,361,387
Depreciation Expense	(1,320,293)	(5,148,083)
Operating Expenses	<u>(4,393,884)</u>	<u>(14,913,879)</u>
Operating Income	3,693,726	10,299,425
Net Nonoperating Expenses	<u>(1,336,211)</u>	<u>(4,904,863)</u>
Income Before Other Revenues, Expenses, Gains, or Losses	2,357,515	5,394,562
Other Expenses or Losses	<u>(622,576)</u>	<u>(476,373)</u>
Increase in Net Assets	1,734,939	4,918,189
Net Assets, Beginning of Year	<u>23,145,181</u>	<u>74,049,150</u>
Net Assets, End of Year	\$ <u>24,880,120</u>	\$ <u>78,967,339</u>

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities	\$ 5,232,926	\$ 16,669,058
Noncapital Financing Activities	(212,896)	(476,373)
Capital and Related Financing Activities	(7,777,994)	(10,174,973)
Investing Activities	<u>3,311,599</u>	<u>(6,567,264)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	553,635	(549,552)
Cash and Cash Equivalents, Beginning of Year	<u>3,592,117</u>	<u>16,106,541</u>
Cash and Cash Equivalents, End of Year	\$ <u>4,145,752</u>	\$ <u>15,556,989</u>

15. COMPONENT UNITS

The University has eleven component units as discussed in note 1, nine of which had activity during the 2008-09 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:

	Direct-Support Organizations			
	The Florida State University Foundation, Inc. 6/30/09	Seminole Boosters, Inc. 6/30/2009	Florida State University International Programs Association, Inc. 9/30/08	Florida State University Alumni Association, Inc. 6/30/09
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 49,387,151	\$ 39,039,592	\$ 4,634,710	\$ 613,745
Capital Assets, Net	2,286,841	101,185,241	19,884,337	137,809
Other Noncurrent Assets	363,455,847	114,110,579	8,385	174,946
Total Assets	<u>415,129,839</u>	<u>254,335,412</u>	<u>24,527,432</u>	<u>926,500</u>
Liabilities:				
Current Liabilities	12,946,643	30,020,107	2,037,720	67,109
Noncurrent Liabilities	5,779,424	82,749,335	12,690,286	16,572
Total Liabilities	<u>18,726,067</u>	<u>112,769,442</u>	<u>14,728,006</u>	<u>83,681</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	2,286,841	35,305,347	5,890,225	137,809
Restricted	446,862,914	95,281,053	-	-
Unrestricted	(52,745,983)	10,979,570	3,909,201	705,010
Total Net Assets	\$ <u>396,403,772</u>	\$ <u>141,565,970</u>	\$ <u>9,799,426</u>	\$ <u>842,819</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 18,653,018	\$ 30,227,810	\$ 13,169,227	\$ 1,660,128
Operating Expenses	<u>48,945,507</u>	<u>29,647,767</u>	<u>11,588,401</u>	<u>1,425,363</u>
Operating Income (Loss)	(30,292,489)	580,043	1,580,826	234,765
Net Nonoperating Revenues (Expenses)	(72,549,128)	(3,215,868)	(320,106)	(180,133)
Other Revenues, Expenses, Gains, and Losses	<u>4,350,771</u>	<u>(1,744,321)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(98,490,846)	(4,380,146)	1,260,720	54,632
Net Assets, Beginning of Year	494,894,618	145,946,116	8,538,706	788,187
Net Assets, End of Year	\$ <u>396,403,772</u>	\$ <u>141,565,970</u>	\$ <u>9,799,426</u>	\$ <u>842,819</u>

16. SUBSEQUENT EVENTS

On September 17, 2009, the University's Board of Trustees approved the issuance of \$40 million of bonds for construction of the University's Student Wellness Center. On September 24, 2009, the Board of Governors approved the issuance of these bonds not to exceed \$40 million. Certain revenues of the Center will be pledged for the payment of the bonds.

In addition, the issuance of \$20 million of bonds to fund the construction of additional dormitory space (Wildwood Dormitory, Phase II) has been proposed, with proceeds not expected until October 2010.

				Other	Total
The Florida State University Research Foundation, Inc. 6/30/09	The John and Mable Ringling Museum of Art Foundation, Inc. 6/30/09	Florida Medical Practice Plan, Inc. 12/31/08	Florida State University Magnet Research and Development, Inc. 6/30/2009	Florida State University Schools, Inc. 6/30/09	
\$ 103,785,973	\$ 2,113,690	\$ 1,798,062	\$ 1,253,976	\$ 13,719,539	\$ 216,346,438
8,135,279	227,894	-	-	25,692,604	157,550,005
3,210,114	1,759,777	-	-	-	482,719,648
<u>115,131,366</u>	<u>4,101,361</u>	<u>1,798,062</u>	<u>1,253,976</u>	<u>39,412,143</u>	<u>856,616,091</u>
22,250,648	87,599	1,487,249	421,219	2,493,895	71,812,189
357,470	-	-	-	19,261,894	120,854,981
<u>22,608,118</u>	<u>87,599</u>	<u>1,487,249</u>	<u>421,219</u>	<u>21,755,789</u>	<u>192,667,170</u>
7,076,288	227,894	-	-	5,902,604	56,827,008
-	2,491,868	-	-	79,205	544,715,040
85,446,960	1,294,000	310,813	832,757	11,674,545	62,406,873
<u>\$ 92,523,248</u>	<u>\$ 4,013,762</u>	<u>\$ 310,813</u>	<u>\$ 832,757</u>	<u>\$ 17,656,354</u>	<u>\$ 663,948,921</u>
\$ 13,317,481	\$ 1,735,900	\$ 6,354,407	\$ 1,043,372	\$ 11,715,519	\$ 97,876,862
13,869,500	1,350,249	6,224,674	761,050	12,365,521	126,178,032
(552,019)	385,651	129,733	282,322	(650,002)	(28,301,170)
(9,818,239)	(65,419)	6,229	4,500	(881,313)	(87,019,477)
-	-	-	-	2,812,978	5,419,428
<u>(10,370,258)</u>	<u>320,232</u>	<u>135,962</u>	<u>286,822</u>	<u>1,281,663</u>	<u>(109,901,219)</u>
102,893,506	3,693,530	174,851	545,935	16,374,691	773,850,140
<u>\$ 92,523,248</u>	<u>\$ 4,013,762</u>	<u>\$ 310,813</u>	<u>\$ 832,757</u>	<u>\$ 17,656,354</u>	<u>\$ 663,948,921</u>

FLORIDA STATE UNIVERSITY
 OTHER REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS-
 POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
 JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b) (2)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 67,043,000	\$ 67,043,000	0%	\$ 355,230,858	18.9%
(1)	\$ -	\$ 62,971,000	\$ 62,971,000	0%	\$ 347,947,989	18.1%

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

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