

# Florida State University

2002—2003  
ANNUAL REPORT



*"...a place  
where  
opportunities  
are open,  
and dreams  
come true."*

*President T.K. Wetherell*



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Established by the Legislature in 1857 as the Seminary West of the Suwannee, Florida State University is one of the oldest of the 11 public institutions of higher learning in the state of Florida. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state.

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On the cover: from top to bottom; The University Center; The University Philharmonia; Graduation day; Cá d' Zan on Sarasota Bay; Students relaxing at the Owen Sellers Amphitheatre; Eminent Scholar and Marine Biologist Nancy Marcus.

## Introduction from the Senior Vice President for Finance and Administration

*Friends of the university continue to demonstrate their support and fervent belief in our future through generous giving. "FSU CONNECT—the Campaign for Florida State University," achieved 68 percent of its \$600 million goal, or \$406.2 million, by the end of the 2002-2003 fiscal year.*

**T**hat this university continues to operate at maximum efficiency, despite continuing growth and decreasing legislative allocations, is but a reflection of the commitment to excellence of its faculty, staff, and students.

Our total Education and General operating budget (excluding the College of Medicine) rose from approximately \$351 million during the 2001-2002 fiscal year to \$369 million during the 2002-2003 fiscal year. Although these figures represent a welcome overall increase, one must note that General Revenue allocations from the Florida Legislature, the largest single revenue source of our operating budget, continued to decrease during this two-year period. Nevertheless, the university remains consistently challenged to meet its mission in light of significant growth in all areas. For example, our student body grew by approximately three percent from 35,462 to 36,683. Concomitant with this growth in enrollment was the growth in the number of full-time faculty members—2,043 to 2,119—and the addition of significant new programs and major fields of studies. Some of the more notable new major offerings include Biomedical Mathematics at the Bachelors level; Global Manufacturing at the Masters level; and Financial Mathematics at the Doctorate level.

The university's physical plant continued to grow and improve in order to meet both

present and future needs. Projects completed during 2002-2003 included the Sherrill Ragans Residence Hall; Parking Garage II, the renovation of the Williams Building;

and the Woodward Avenue Pedestrian Mall. Throughout the fiscal year, major construction projects in progress included the new College of Medicine, Alumni Center, Communications and Intercollegiate Athletics facility, and renovation of Montgomery Gymnasium.

We continue to do more without creating undue financial hardships upon our students and their families. Although tuition was modestly raised during the past fiscal year, Florida's public universities remain one of the premiere "bargains" in the United States, ranking 49<sup>th</sup> among the 50 states in the cost of tuition for the high-quality education we offer.

However, as President T. K. Wetherell recently noted, the old funding paradigm of legislative appropriations and tuition will not suffice if this university is to achieve its vision of excellence.

What we have done and continue to do is outperform ourselves. For example, within the Division of Finance and Administration, several departments, i.e., Environmental Health and Safety, Human Resources, and the Tax Section of the Controller's Office, underwent external reviews during 2002-2003 to ensure that we not only meet or exceed our own standards, but, moreover, those of our peers! Likewise, to ensure that



*John R. Carnaghi*



*FSU's student body grew by approximately three percent from 35,462 to 36,683 in fall semester 2002-2003.*

“we plan our work and work our plan,” the division’s *Strategic Vision: 2001-2006* was reviewed in detail to ensure that we are making progress towards the many goals we set for ourselves.

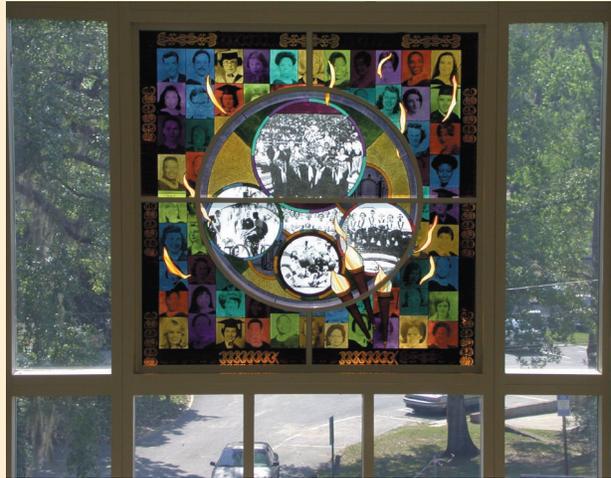
The progress made by Finance and Administration during 2002-2003 is paralleled by the performance of other university divisions. Florida State University remains on the cutting edge of critical research that touches the lives of all Americans. 2002-2003 witnessed the inauguration of a new, multi-year grant program from the Department of the Navy to develop a new, all-electric power system for our warships. A total of \$161 million in grants was awarded to Florida State University researchers during 2002-2003—a significant increase over the \$147 million awarded during 2001-2002.

The past fiscal year also witnessed the cohesive efforts of all university faculty and staff to reassert our collective excellence through the 10-year accreditation of the institution by the Southern Association of Colleges and Schools (SACS). Although the accreditation process will not be completed for another year, the preliminary review, conducted during 2002-2003, indicated that the university met or exceeded national standards in areas including budgeting, financial reporting, facilities, safety, student services, governance, faculty qualifications and achievements, and academics.



The university has 27 disciplines ranked in the top 25 among public institutions and has 18 disciplines ranked in the top 25 among all colleges in the U.S.

To better coordinate and accomplish our financial and operational activities, the university made great progress toward



FSU spent nearly \$24 million in 2002-03 on student services that included academic enrichment, recreation, student health care and community service.

completing Project AIM (Active Integrated Management). Through our contract with PeopleSoft, new software systems are being developed and implemented to provide a “seamless” system for storing, accessing, manipulating, and reporting myriad data pertaining to all our financial and human resource operations. Training, demonstrations, and fine-tuning continued throughout the past fiscal year, and we fully expect the financial component of Project AIM to be operational by July 2004, while the human resources component will be operational by January 2005.

Finally, we owe great thanks to President Dr. T. K. Wetherell and the members of our Board of Trustees for their continuing support and belief in what we do at Florida State University. Without their guidance and leadership, we could never have accomplished all that we did during the 2002-2003 fiscal year.

## Message from the President of Florida State University

**A** little over a year ago, Sandy D'Alemberte stood before the FSU faculty for the last time as President and outlined the state of the university as he saw it at the end of his nine-year tenure. His summary at the time: "Florida State University is now at a tipping point in its history—on the very edge of entering the ranks of the great research universities in this country."

Sandy's years in office were characterized by growth—growth in the state and growth for Florida State University. The state's mindset was that universities were important academic, cultural and economic engines in both Florida and the nation. State funding was available to match that mindset.

With national budget woes, the passage of the class-size and Board of Governors amendments in Florida, as well as other economic difficulties, higher-education funding in this state is in far worse condition than during Sandy's years of service.

Quite frankly, the state university system in this state is in peril.

We have no choice but to deal with this peril. As a matter of fact we have a professional and social obligation to step forward with proposals.

Florida State University is—and must continue to be—a place where opportunities are open and

dreams come true. Each year thousands of students enroll in this university with high expectations and a sense of energy that deserve our greatest commitment. Their experiences on this campus will shape their lives, the lives of others and the lives of generations to come.



Thomas Kent "T.K." Wetherell

So, it is important that you know where I think this university will be in five years. For me, in five years, I see an FSU that has set the tone for higher education to be required rather than denied.

I see an FSU that has a fully accredited College of Medicine and that has been re-

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*"I see an FSU that has set the tone for higher education to be required rather than denied."*

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accredited by the Southern Association of Colleges and Schools.

I see an FSU that has worked with the Legislature and the state's other public universities to fully fund enrollment growth, especially at the graduate level.

I see an FSU with a world-class faculty, with a higher proportion of full professors; the most qualified support staff in the state; and highly qualified students who, like the faculty and staff, reflect the state's population.

I see the next-generation learning environment at FSU where the entire campus



FSU currently enrolls students from each of the 50 states and the District of Columbia, and the SAT score for the middle 50 percent of entering freshman this fiscal year was 1110 to 1290.

is wireless. That way we can ensure that every student graduates on the right side of the digital divide.

I see the National Science Foundation extending (through 2013) its contract and funding with FSU to operate the National High Magnetic Field Laboratory. This is a facility we can't afford to lose. And if outside research funding is a measure of success, FSU is doing well now, having received \$161 million in contracts and grants this past year. In five years; however, I see an FSU with \$200 million in research grants and contracts annually.

I see an FSU that has new chemistry, life science, human science and psychology buildings and two new general classroom buildings. In five years, we'll have 3,000 new residence spaces, 5,000 new parking spaces, 50 acres of intramural fields, a Seminole Retirement Village, the Greek Park fully occupied and the Legacy Walk



*FSU awarded 8,511 degrees in 2002-03; 6,335 bachelor's degrees; 1,593 master's degrees; 290 doctorate degrees; 51 specialist degrees; and 242 juris doctor degrees.*

completed from Westcott to the University Center, highlighting Nobel Laureates and Heisman Trophy winners alike.

In five years, FSU will have completed the FSU CONNECT Campaign to raise \$600 million and another \$200 million Scholarship Campaign.

I see our athletic teams winning five more national championships—one per year.

I see the Seminole Tribe of Florida and all Native Americans clearly getting the respect they so naturally deserve. Florida State University is forever indebted to the Seminole Nation for the relationship that allows this university to publicly and proudly proclaim: "We are Seminoles."

I see the board of trustees and president having the same administrative authority that the community colleges enjoy.

I firmly believe that to dream anything you want to dream is the beauty of the human mind. To do anything you want to do is the strength of the human will. And to trust yourself to take action and test your limits—that is the courage to succeed.



*Florida State University has an alumni base greater than 284,000 and growing. The top five states for FSU alumni by residence: Florida, 155,072; Georgia, 17,012; California, 6,313; North Carolina, 6,067; and Virginia, 5,555.*

# Florida State University: An Overview and Important Statistics

## 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 services 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, concentrating on its strong liberal-arts base and on quality improvement.

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 36,683 in the fall semester of 2002.

## Campus / Centers / Programs

The main university campus is spread over 463 acres in Tallahassee, Fla. A branch campus of the university includes 26 acres in Panama City, Florida. The university also operates year-round programs in Italy,

FSU Researchers such as Distinguished Research Professor Alan G. Marshall, left, brought in more than \$161 million in sponsored research contracts and grants in 2003-04.



## History

Florida State University is one of the 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

### Fall Term

### Enrollment by Colleges & Schools

School / College	2002	2001	2000
Arts & Sciences	7,410	7,016	6,702
Business	6,065	5,667	5,738
Communication	1,780	1,932	2,145
Criminology & Criminal Justice	1,374	1,326	1,350
Education	3,005	3,048	3,084
Engineering	1,481	1,314	1,190
Human Sciences	2,167	1,799	1,559
Information Studies	1,275	1,285	1,103
Law	750	696	721
Medicine	69	30	-
Motion Pictures, TV & Recording Arts	239	207	219
Music	1,059	1,022	1,042
Nursing	802	666	690
Social Sciences	3,225	2,865	2,343
Social Work	630	554	614
Theatre	460	450	480
Visual Arts & Dance	1,104	1,057	1,029
Undecided / Special	3,788	4,528	4,468
<b>Total</b>	<b>36,683</b>	<b>35,462</b>	<b>34,477</b>

## Faculty Data

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Students/Faculty Ratio
2000-01	1,520	58	814	1,368	22:1
2001-02	1,596	68	815	1,436	22:1
2002-03	1,695	56	838	1,559	23:1

England, Spain and Panama—all open to students and faculty from any university. Other programs conducted under university auspices are in France, Switzerland, Costa Rica, Spain, Russia, Czech Republic, Greece, Croatia, Ireland, Ghana, South Africa, Germany, Korea, and Vietnam.

Through the Center for Professional Development, the university also conducts off-campus credit courses and degree programs as well as non-credit programs, workshops, seminars and conferences. The diversity in the roles performed by the center is matched only by the adult learners who participate in programs offered each year.

The university operates the John and Mable Ringling Museum of Art located in Sarasota, Fla., which is the largest museum/university complex in the nation. Also, since 1990, the Appleton Museum of Art in Ocala, Fla., has been jointly owned by the university and Central Florida Community College.

## Faculty

It is the official policy of Florida State University to recruit the most talented faculty from leading centers of learning throughout the world. The Florida State faculty has included five Nobel Laureates and 10 members of the National Academy of Sciences. Many of its faculty have received national and international recognition, and the university enjoys national ranking in a number of disciplines.

## Students

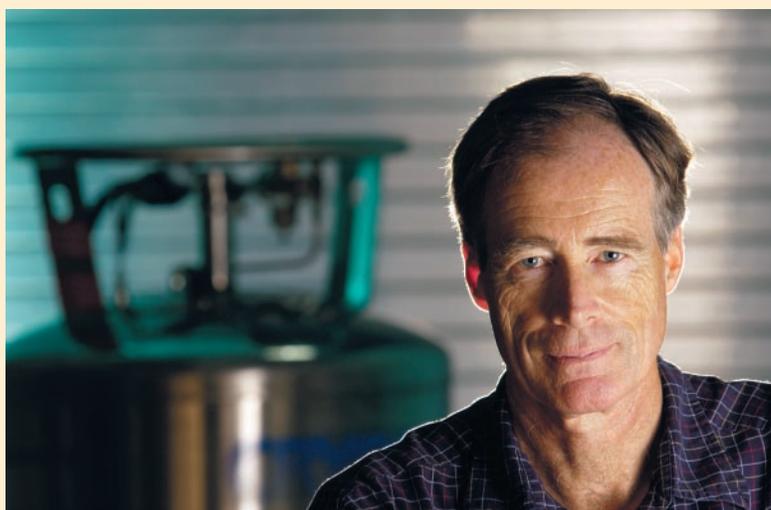
As a major comprehensive residential state university, Florida State attracts students from every county in Florida, every state in the nation and more than 130 foreign countries. The university is committed to high

admission standards that ensure quality in its student body, which includes some 481 National Merit, National Achievement and

## National Merit/Achievement/Hispanic Scholars (FALL TERM 2002)



Hispanic scholars, as well as students with superior creative talents. It also provides alternative admissions and highly successful



Zachary Fisk, member of the National Academy of Sciences and Eppes Professor of condensed matter physics, is pushing the boundaries of superconductivity and high magnetic fields.



Professor Jenice Rankins of the Nutrition, Food and Exercise Sciences Department studies interactions of gender and nutrition in international development.

### Bachelor's, Master's, JD's & Doctoral Degrees Awarded

School / College	2002-03	2001-02	2000-01
Arts & Sciences	1,551	1,405	1,292
Business	1,605	1,466	1,420
Communication	423	486	526
Criminology & Criminal Justice	358	373	383
Education	1,010	1,113	857
Engineering	190	201	176
Human Sciences	515	448	428
Information Studies	434	383	252
Law	242	227	220
Motion Pictures, TV & Recording Arts	55	40	43
Music	236	228	244
Nursing	164	187	192
Social Sciences	1,098	892	761
Social Work	254	211	315
Theatre	89	111	87
Visual Arts & Dance	287	263	252
<b>Total</b>	<b>8,511</b>	<b>8,034</b>	<b>7,448</b>

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 18 percent of the student body and are enrolled in 204 graduate degree programs, of which 72 are doctoral.

### FSU Research

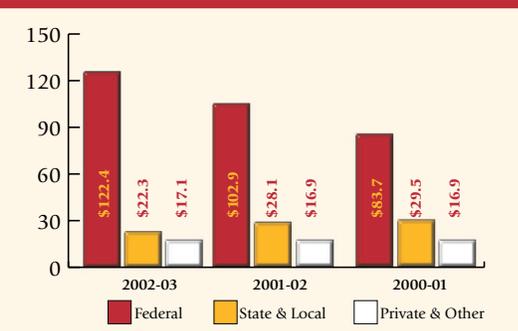
Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in

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.

### Libraries

Florida State University's library system, which ranks among the nation's top research libraries, is made up of eight libraries and 15 subject-specific reading rooms. The libraries' total collections include more than 2.5 million volumes of books and periodicals, 168,000 maps and 900,000 government documents. Also, access to more than 250 electronic databases, 14,000 electronic journals and 54,000 e-books allows students, faculty and staff to do research from their offices or homes.

### Contracts & Grants Awards Received (IN MILLIONS)



the sciences, the humanities and the arts. This year, Florida State University faculty and administrators generated more than \$161



William O. Monroe, CPA  
Auditor General

# AUDITOR GENERAL

## STATE OF FLORIDA

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

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the 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, 2003, as shown on pages 15 through 35. These financial statements are the responsibility of the University's 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 comprises 100 percent of the transactions and account balances of the aggregate discretely presented component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 10 through 14 is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2004, 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, administrative rules, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report will be included as part of our separately issued audit report on the University.

Respectfully submitted,



William O. Monroe, CPA  
January 26, 2004

# Management's Discussion And Analysis

## Overview

The following Management's Discussion and Analysis (MD&A) provides an overview of the 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 Government Accounting Standards Board principles and focus on the university as a whole. The MD&A, financial statements and notes thereto are the responsibility of university management.

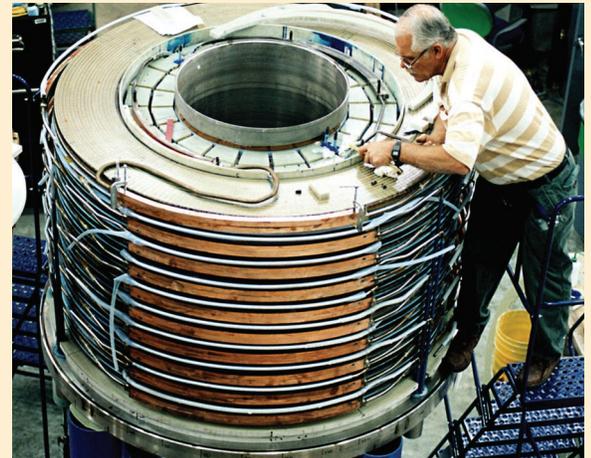
The financial statements encompass the university and its discretely presented component units; however, the MD&A focuses only on the university. Information relating to the component units can be found in their separately issued financial statements. While audited financial statements for the prior fiscal year are not presented with this report, condensed data will be presented in the MD&A in order to illustrate certain increases and decreases. The three basic

financial statements are the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows.

## Statement of Net Assets

The statement of net assets presents the financial position of the university at the end of the fiscal year. From the data presented, readers of the 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 expenditures 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 non-financial facts such as enrollment levels and the condition of the facilities.

Assets are what the university owns and are measured in current value, except for property

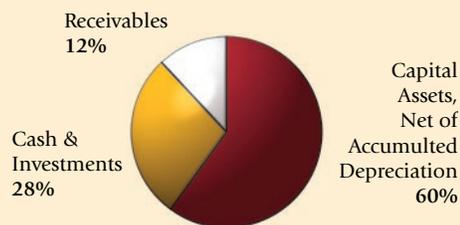


*Florida State is home to the \$100 million National High Magnetic Field Laboratory with the world's most powerful magnets. The Mag Lab's faculty includes Robert Schrieffer, the 1972 Nobel Prize winner in physics and an author of the first microscopic theory of superconductivity, published in 1957 when he was 26.*

## Condensed Summary of Net Assets (IN THOUSANDS)

	2003	2002
<b>Assets:</b>		
Current assets	\$ 447,899	\$ 369,095
Capital assets, net	844,455	757,745
Other noncurrent assets	119,734	69,544
<b>Total Assets</b>	<b>1,412,088</b>	<b>1,196,384</b>
<b>Liabilities:</b>		
Current liabilities	173,480	65,683
Noncurrent liabilities	143,209	147,034
<b>Total Liabilities</b>	<b>316,689</b>	<b>212,717</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	737,179	674,710
Restricted	225,379	206,491
Unrestricted	132,841	102,466
<b>Total Net Assets</b>	<b>\$1,095,399</b>	<b>\$ 983,667</b>

## Assets



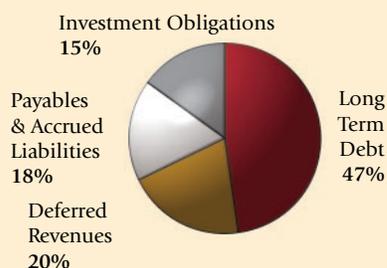
and equipment, which are recorded at historical cost less accumulated depreciation.

Assets are categorized as either current or noncurrent. Current assets are generally considered to be convertible to cash within one year.

Total assets of the university increased by \$215.7 million. Investments contributed \$99.2 million of this amount. For the first time ever, the state required the university to report \$48 million of secured lending and reverse repurchase agreements. This included increasing investments and reporting on corresponding current liability for the full \$48 million. Additional information is presented in note 2 to the financial statements. Also, net capital assets improved during 2003 by \$86.7 million primarily due to increases in buildings and construction in progress.

Liabilities are what the university owes to others or what it has collected from others before it has provided the related services.

## Liabilities

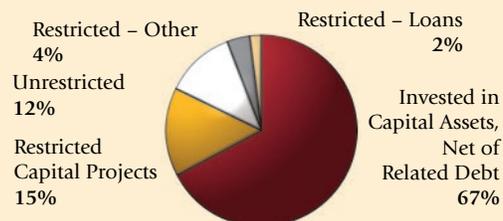


Liabilities are also categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable within the next year.

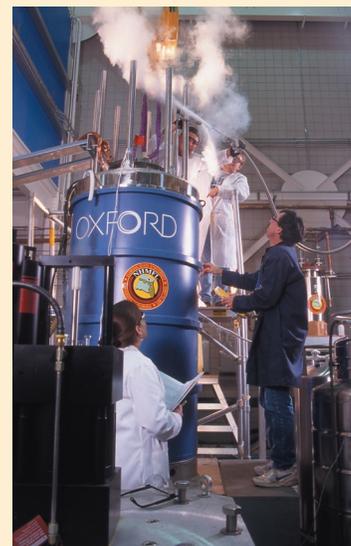
As of June 30, 2003, total liabilities were \$316.7 million, compared to \$212.7 million at the end of the prior fiscal year. A current liability was recorded for secured lending and reverse repurchase agreements totaling \$48 million. Also, state funding for new construction projects contributed to a \$41.2 million increase in deferred revenues.

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 depreciation expense charged over

## Net Assets



the years. 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 nonexpendable net assets represent the historical gift value, which donors require to be invested in perpetuity. Restricted expendable net assets include amounts committed 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, capital construction projects, and unrestricted funds functioning as endowments. A significant portion of these funds has been designated for contractually committed goods and services that have not yet been received, capital projects in



*The top three federal agencies providing funding for FSU researchers in 2002-03 were the National Science Foundation, \$45,606,804; the Department of Health & Human Services, \$26,039,304; and the U.S. Department of Defense \$19,415,836. The federal government funded a total of \$122.4 million worth of research at FSU last year. Overall, scientists received \$161 million in outside research funding.*

## Condensed Summary of Revenues, Expenses and Changes in Net Assets

(IN THOUSANDS)

	2003	2002
Operating Revenues	\$ 369,972	\$ 323,793
Operating Expenses	(615,873)	(566,902)
Operating Loss	(245,901)	(243,109)
Net Nonoperating Revenues	281,068	252,112
Income Before Other Revenues, Expenses, Gains, or Losses	35,167	9,003
Net Other Revenues	76,565	93,783
Net Increase in Net Assets	111,732	102,786
Net Assets, Beginning of Year	983,667	880,881
Net Assets, End of Year	\$ 1,095,399	\$ 983,667

various stages of planning and completion and for normal working capital balances maintained for departmental and auxiliary enterprise activities.

At June 30, 2003, net assets were \$1.1 billion, up 11.36 percent from the previous year. The largest increases were invested in capital assets, net of related debt and restricted for capital projects, which combined totaled \$78.7 million.

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

The statement of revenues, expenses and changes in net assets presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or paid. Activities are reported as either

operating or nonoperating.

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 estimated 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 to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets.

The statement of revenues, expenses, and changes in net assets reflects a positive year with an increase in net assets at the end of the year.

Operating revenues increased \$46.2 million for the fiscal year ending June 30, 2003. Net student tuition and fees revenue increased \$13.5 million contributed by a board-approved increase to tuition. Also, grants and contracts revenue increased \$31.1 million, which was mainly driven by a 29 percent increase in federal contract and grants.

Operating expenses increased \$49 million for the year. Expenses for compensation and employee benefits were up \$27 million and contractual expenses increased \$10.9 million.

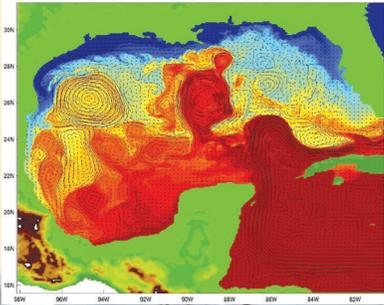
## Statement of Cash Flows

The statement of cash flows provides additional information about the university's financial results, by reporting the major sources and uses of cash. This statement will assist in evaluating the university's ability to generate net cash flows, its ability to meet its obligations as they come due,

## Revenues Used to Fund the University's Operating Activities (IN THOUSANDS)

State Appropriations	\$263,794
Grants & Contracts	\$159,067
Net Tuition & Fees	\$110,695
Auxillary Activities	\$87,786
Investment Income	\$22,160
Other Revenue	\$12,528

FSU is home to the world's premier tropical meteorology program, where the faculty includes Professor T.N. Krishnamurti, one of the few American scientists ever honored with the world's top meteorology award, the International Meteorological Organization Prize.



and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the university. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities shows 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.

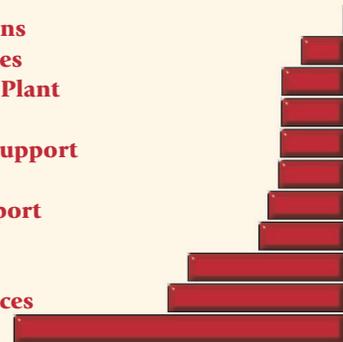
## Capital Assets and Debt Administration

At June 30, 2003, the university had \$844.5 million invested in capital assets, net of accumulated depreciation of \$391.8 million. Depreciation expense totaled \$46.8 million for the current fiscal year. Major capital expenses for the year included a new residence hall (\$22.3 million), a new communications lab (\$13.2 million), the

### Operating Expenses (IN THOUSANDS)

\$ 742  
 \$ 23,728  
 \$ 34,295  
 \$ 34,508  
 \$ 35,113  
 \$ 36,209  
 \$ 41,886  
 \$ 46,831  
 \$ 85,543  
 \$ 96,532  
 \$ 180,486

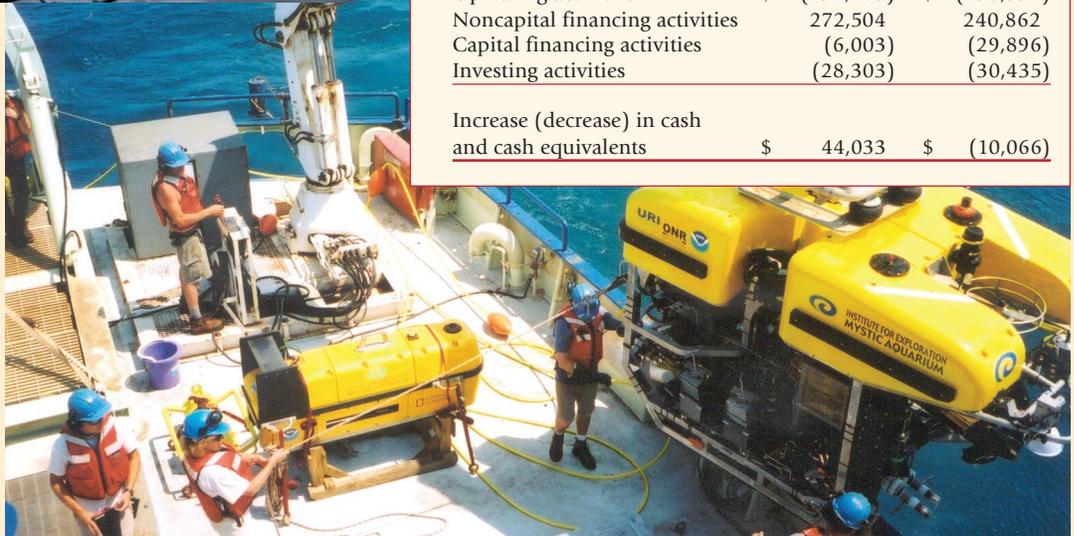
Loan Operations  
 Student Services  
 Operations of Plant  
 Scholarships  
 Institutional Support  
 Public Service  
 Academic Support  
 Depreciation  
 Research  
 Auxiliary Services  
 Instructional



### Condensed Summary of Cash Flows (IN THOUSANDS)

	2003	2002
Cash flows from:		
Operating activities	\$ (194,165)	\$ (190,597)
Noncapital financing activities	272,504	240,862
Capital financing activities	(6,003)	(29,896)
Investing activities	(28,303)	(30,435)
Increase (decrease) in cash and cash equivalents	\$ 44,033	\$ (10,066)

Above, FSU's Underwater Crime Scene Investigation program is the nation's first at the undergraduate level. The program, which is part of the School of Criminology and Criminal Justice, produced its first graduates this year. To the right, FSU anthropologists probe the depths of the Black Sea to excavate shipwrecks of the Byzantine Period (400 A.D. to 500 A.D.) with the help of the submersible research robot Hercules.



Montgomery Gym remodeling (\$8 million) and the purchase and implementation of a new enterprise resource planning system (\$7 million). Additional information about the university's capital assets and commitments is presented in notes 5 and 8 to the financial statements.

At June 30, 2003, the university had \$112.6 million of outstanding bonds compared to \$116 million at June 30, 2002. During the year the university issued refunding bonds for the 1992 Parking Facility revenue bonds and the 1993 SUS Improvement revenue bonds, which provided an economic gain of approximately \$1.9 million. In the upcoming year the university plans to issue new revenue bonds to construct a new parking garage (\$15.6 million), renovate Landis Hall (\$16.5



*Vice President for Research and Lawton Distinguished Professor of Physics Kirby Kemper, in the University's superconducting accelerator lab.*

million), and construct a new dining facility, along with renovating an existing dining facility (\$10.6 million). Additional information about the university's existing long-term liabilities is presented in note 9 to the financial statements.

## Economic Outlook

The Florida State University has a strong reputation for operational efficiency, as well as academic excellence. While state appropriations for general operations have moderately increased over the years, 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.

Tuition rates increased for fiscal year 2003-2004 by 8.5 percent for resident students and 15 percent for

nonresident students.

However, Florida State University remains as one of the premiere "bargains"

in the United States, with Florida ranking 49<sup>th</sup> in tuition cost.

Friends of the university continue to demonstrate their support and eager belief in our future through generous giving. FSU CONNECT, the university's fund-raising campaign, achieved 68 percent of its \$600 million goal, or \$406.2 million, by the end of the 2002-03 fiscal year.

Once again the university finished the fiscal year better off than the previous year and is well positioned to continue providing excellence in educational programs. The university's strong credit ratings, relatively low tuition levels, impressive student body, and outstanding fund-raising capabilities are among the factors indicating a bright future for the university.



*The medical school, the first to be established in the nation in more than 20 years, will focus on treating the elderly and people in underserved areas, such as rural communities and inner cities.*



*For her research on the history of the White House, College of Human Sciences Professor Elizabeth Goldsmith was a guest of President George W. Bush and first lady Laura Bush during a two-day symposium in November 2002 that celebrated the 100th anniversary of the West Wing.*

## Statement of Net Assets (IN THOUSANDS)

AS OF JUNE 30, 2003

	UNIVERSITY	COMPONENT UNITS
<b>ASSETS:</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 59,022	\$ 38,394
Investments	229,981	113,163
Receivable, net	19,029	11,159
Due from other state universities	9	—
Due from state	128,172	—
Due from component units/university	2,840	63,115
Inventories	1,676	232
Loans and notes receivable, net	5,142	—
Other assets	2,028	1,766
<b>Total current assets</b>	<b>447,899</b>	<b>227,829</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	36,275	1,172
Restricted investments	72,521	356,074
Loans and notes receivable, net	9,731	409
Other assets	1,207	100,421
Capital assets, net	844,455	176,459
<b>Total noncurrent assets</b>	<b>964,189</b>	<b>634,535</b>
<b>Total assets</b>	<b>\$ 1,412,088</b>	<b>\$ 862,364</b>
<b>LIABILITIES:</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 53,941	\$ 9,553
Due to other state universities	567	—
Due to state	549	—
Due to component units/university	18	149,922
Deferred revenues	63,471	9,174
Obligations under secured lending and reverse repurchase agreements	48,002	—
Long-term liabilities, current	6,703	2,498
Other liabilities	229	7,024
<b>Total current liabilities</b>	<b>173,480</b>	<b>178,171</b>
<b>Noncurrent Liabilities</b>		
Bonds payable	108,500	104,307
Installment purchase notes payable	669	—
Capital leases payable	—	25,412
Compensated absences liability	33,992	562
Other noncurrent liabilities	48	25,017
<b>Total noncurrent liabilities</b>	<b>143,209</b>	<b>155,298</b>
<b>Total liabilities</b>	<b>\$ 316,689</b>	<b>\$ 333,469</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	\$ 737,179	\$ 27,846
Restricted for nonexpendable:		
Endowment	—	249,135
Restricted for expendable:		
Debt Service	461	—
Loans	18,233	—
Capital Projects	164,394	53
Other restricted net assets	42,291	135,110
Unrestricted	132,841	116,751
<b>TOTAL NET ASSETS</b>	<b>\$ 1,095,399</b>	<b>\$ 528,895</b>

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

# Statement of Revenues, Expenses and Changes in Net Assets (IN THOUSANDS)

FOR FISCAL YEAR ENDED JUNE 30, 2003

	UNIVERSITY	COMPONENT UNITS
OPERATING REVENUES:		
Student tuition and fees (\$4,690 Pledged for the Parking Facilities' Revenue Bonds)	\$ 157,801	\$ —
Less: tuition scholarship allowances	(47,106)	—
Net student tuition and fees	110,695	—
Federal grants and contracts	118,645	—
State and local grants and contracts	22,694	—
Nongovernmental grants and contracts	17,728	—
Sales and services of educational departments	1,570	—
Sales and services of auxiliary enterprises (\$1,969 Pledged for the Parking Facilities' Revenue Bonds, \$15,331 Pledged for the Housing Facilities' Revenue Bonds)	87,786	—
Sales and services of component units	—	14,143
Royalties and licensing fees	—	30,068
Gifts and donations	—	40,703
Interest on loans receivable	377	—
Other operating revenues	10,477	3,742
<b>Total operating revenues</b>	<b>369,972</b>	<b>88,656</b>
OPERATING EXPENSES:		
Personal services	379,944	10,664
Contractual services	41,236	—
Utilities	23,638	472
Materials and supplies	33,709	2,221
Repairs and maintenance	21,539	742
Scholarships and fellowships	34,508	—
Depreciation	46,832	4,176
Loan cancellation and receivable writeoffs	474	71
Other operating expenses	33,993	94,180
<b>Total operating expenses</b>	<b>615,873</b>	<b>112,526</b>
<b>Operating loss</b>	<b>(245,901)</b>	<b>(23,870)</b>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	263,794	—
Net investment income	22,160	3,093
Other nonoperating revenue	104	44
Interest on asset-related debt	(4,775)	(4,668)
Other nonoperating expenses	(215)	(1,685)
<b>Net nonoperating revenues (expenses)</b>	<b>281,068</b>	<b>(3,216)</b>
Income/(loss) before other revenues, expenses, gains or losses	35,167	(27,086)
Additions to permanent endowments	—	19,753
Capital appropriations	57,001	—
Capital grants, contracts and donations	19,564	7,900
Increase in net assets	111,732	567
Net assets, beginning of year	983,667	528,328
<b>Net assets, end of year</b>	<b>\$ 1,095,399</b>	<b>\$ 528,895</b>

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

## Statement of Cash Flows (IN THOUSANDS)

FOR FISCAL YEAR ENDED JUNE 30, 2003

UNIVERSITY

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$ 110,714
Grants and contracts	158,930
Sale and services of educational departments	1,572
Sales and services of auxiliary enterprises	88,086
Interest on loans receivable	377
Other operating receipts	10,273
Payments to employees	(375,085)
Payments to suppliers for goods and services	(120,103)
Payments to students for scholarships and fellowships	(34,322)
Loans issued to students	(438)
Other operating expenses	(34,169)
Net cash used by operating activities	(194,165)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	263,794
Operating subsidies and transfers	1,481
Funds held for others	7,281
Other receipts	104
Other expenses	(156)
Net cash provided by noncapital financing activities	272,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	98,217
Capital grants and contracts	10,727
Capital subsidies and transfers	9,408
Purchases of capital assets	(114,889)
Principal paid on capital debt	(3,514)
Interest paid on capital debt	(5,952)
Net cash used by capital and related financing activities	(6,003)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net change in investments	(40,395)
Investment income	12,092
Net cash used by investing activities	(28,303)
Net change in cash and cash equivalents	44,033
Cash and cash equivalents—beginning of year	51,264
Cash and cash equivalents—end of year	\$ 95,297
RECONCILIATION OF OPERATING CASH FLOWS TO OPERATING INCOME	
Operating expense over revenue	\$ (245,901)
Depreciation Expense	46,832
Change in assets and liabilities:	
Receivable	312
Contracts and grants receivable	(138)
Inventories	(35)
Loans and notes receivable	36
Deferred charges and other assets	(227)
Accounts payable	107
Salaries and wages payable	5,047
Compensated absences liability	(188)
Deferred revenues	(10)
Net cash used by operations	\$ (194,165)

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

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

A 13-member board of trustees governs the university. The governor appoints six citizen members and the Florida Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered five-year terms. The chair of the faculty senate and the president of the student body of the university are also members. The State Board of Education is responsible for overseeing kindergarten through graduate school education in the state. The state's 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 Florida law, State Board of Education rules, and the Board of Governors. The university president serves as the executive officer and corporate secretary of the trustees and is responsible for all operations of the university.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determines 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 an integral part of the state's Comprehensive Annual Financial Report.

### COMPONENT UNITS

Based on the application of the criteria for determining component units, the following

organizations are included within the university board of trustee's reporting entity as discretely presented component units:

#### FSU FOUNDATION, INC.

The university's fund-raising and private support programs are accounted for and reported separately by the FSU Foundation. Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. Foundation expenditures 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.

#### FSU SEMINOLE BOOSTERS, INC.

The primary purpose of the Seminole 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.

#### FSU INTERNATIONAL PROGRAMS ASSOCIATION, INC.

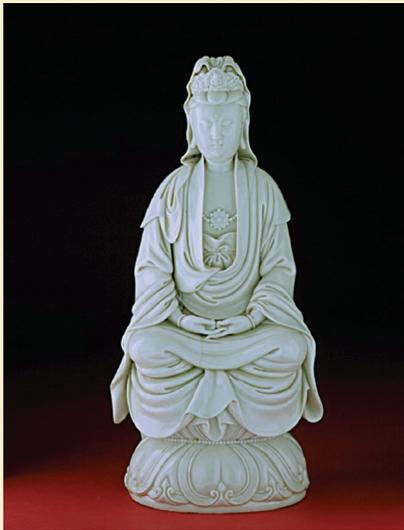
The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University study-abroad programs in London, Florence, Costa Rica, and other sites.



Yahoo! Internet Life ranks FSU as the most wired university in Florida, and 17th in the nation, in its "100 Most Wired Colleges" survey.

**FSU ALUMNI ASSOCIATION, INC.**

The FSU Alumni Association serves as a connecting link between alumni and the university. The nature and purpose of the



*This Blanc de Chine porcelain Buddha from the 17th century is part of the Koger Collection of Masterpieces of Chinese Ceramics, which was recently donated to the John and Mable Ringling Museum of Art. The collection will travel for the next several years.*

association is to aid, strengthen, and expand Florida State University and its alumni. The association utilizes private gifts, 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.

**FSU FINANCIAL ASSISTANCE, INC.**

FSU Financial Assistance was created for the purpose of securing bond financing in accordance with Section 1004.28, Florida Statutes. Seminole Boosters maintains direct control of financial assistance and each year makes significant transfers to them to help service the bond debt.

**FSU RESEARCH FOUNDATION, INC.**

The FSU Research Foundation was established on Sept. 14, 1993. The purpose of the research foundation is 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.

**FSU JOHN AND MABLE RINGLING MUSEUMS OF ART FOUNDATION, INC.**

This foundation was established in 1978. Its purpose is 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.

**FSU SCHOOL, INC.**

The Developmental Research School, Florida High, became a charter school in 2000 in compliance with Section 1002.33, 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 and/or private sector partners.

Information on the university's component units, including copies of audit reports, is available by contacting the university controller's office. These component units' financial statements are discretely presented in the university board of trustees' financial statements. Additional condensed financial statements for the university's component units are included in a subsequent note.

Except for the FSU School, Inc., these component units are also direct support organizations, as provided in Section 1004.28 Florida Statutes. These are separate, not-for-profit corporations organized and operated exclusively to help the university 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. An independent certified public accountant conducts an annual audit of each organization's financial statements. The audited financial statements are submitted to Florida's auditor general and the board of trustees for review.

## ***BASIS OF PRESENTATION***

The university's accounting policies conform with generally accepted accounting principles applicable to 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). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental



*Maura Hayes, B.S. Communications '82, directs the production operations of Times Square Studios where ABC's Good Morning America, 20/20 and Prime Time are filmed.*

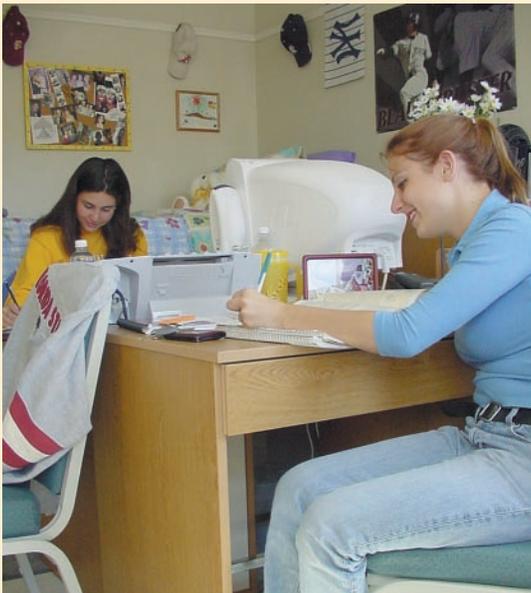
and business-type activities. The university has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting, including the following components:

- 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

## ***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.

Interdepartmental transactions of auxiliary service departments have been accounted for as reductions of expenses and not revenues of those departments.



*As part of President Wetherell's five-year vision for FSU, the university is slated to add 3,000 new residence spaces, 5,000 new parking spaces and 50 acres of intramural fields.*

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 plus administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include state appropriations, investment income and capital funding. Interest on asset-related debts is a nonoperating expense.

The university follows Financial Accounting Standards Board statements and interpretations issued on or before Nov. 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The statement of net assets is presented in a classified format to distinguish between current and long-term assets and liabilities. When both restricted and unrestricted resources are available to fund specific programs, grants, etc., it is the university's policy to apply the restricted resources to such programs first, 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 discounts and allowances. Tuition scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the university and the amount that is actually



*"I firmly believe that to dream anything you want to dream is the beauty of the human mind. To do anything you want to do is the strength of the human will. And to trust yourself to take action and test your limits – that is the courage to succeed." President T.K. Wetherell*

paid by the student or the third party making payment on behalf of the student. The university applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship discounts and 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 and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Non-Expendable Trust Funds*.

#### CASH AND CASH EQUIVALENTS

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, unexpended general revenue appropriation releases, and cash held in the state treasury. Banks qualified as public depositories under Florida law hold cash deposits of the university. All such deposits are insured by federal depository insurance or



FSU has an outstanding School of Motion Picture, Television and Recording Arts with state-of-the-art film production facilities and students who win prestigious national and international film awards. Its graduate film program is ranked in the top 10 in the nation.

collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

#### **CAPITAL ASSETS**

University capital assets consist of land, buildings, infrastructure and improvements, furniture and equipment, library resources, works of art and historical treasures, and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at appraised value at the date received in the case of gifts. 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 capitalized threshold of \$1,000 for all movable equipment items and a \$100,000 threshold for building renovations and improvements.

Depreciation is computed on the straight-line basis over the estimated useful life of the related assets.

The following estimated useful lives are used to determine depreciation expense:

- **Buildings / Improvements**—10 to 50 years, depending on construction
- **Infrastructure**—12 to 50 Years
- **Furniture and Equipment**
  - Equipment (Non-office)—10 to 20 Years
  - Computer Equipment—3 to 7 Years
  - Moveable Equipment—3 to 20 Years
- **Software**—5 Years
- **Library Resources**—10 Years

#### **NONCURRENT LONG-TERM LIABILITIES**

Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable and compensated absences that are not scheduled to be paid within the next



*"The arts have the capacity to reach people from varied backgrounds, ages, and cultures in ways few other disciplines can. They fundamentally enrich existence and have the power to change lives for the better." Sally McRorie, Dean of the School of Visual Arts and Dance*

fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The university amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The 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 cost paid from the debt proceeds are reported as deferred charges and are amortized over the life of the bonds using the straight-line method.



*FSU is located on the oldest continuous site of higher education in Florida.*

## 2. INVESTMENTS

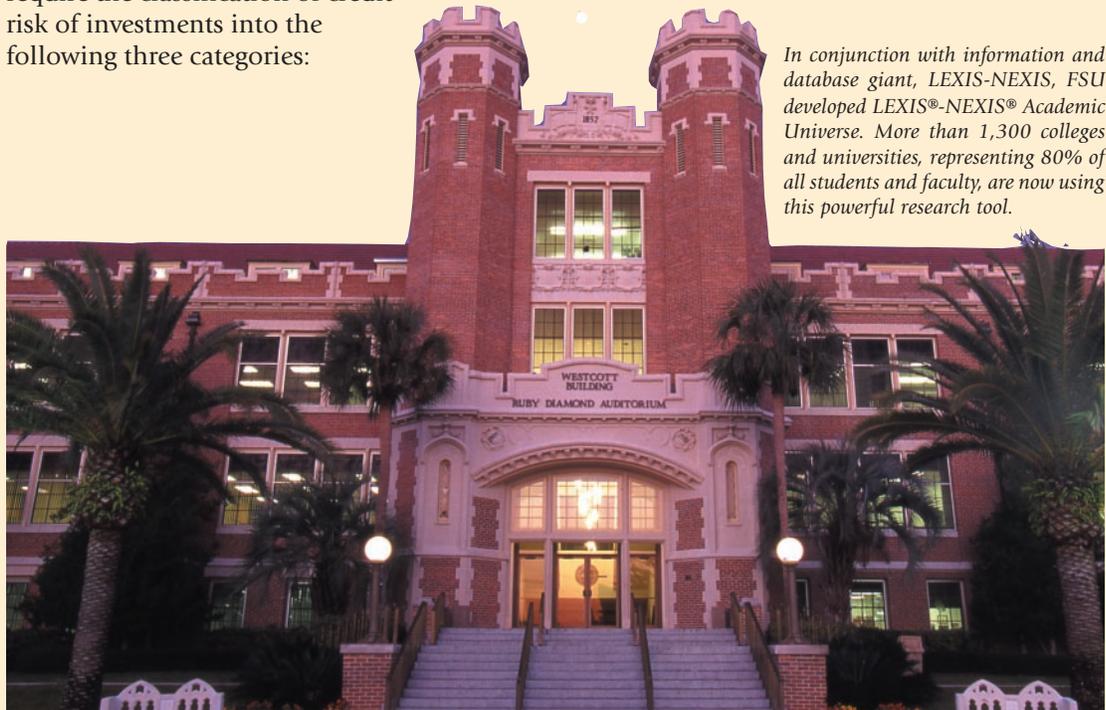
The university participates in investment pools through the State Treasury and the State Board of Administration in accordance with the provisions of Section 17.61 and 215.49, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. The university's investments in these pools are reported at market value of \$302,501,670.

- **Risk Category 1**—Insured or registered, or securities held by the entity or its agent in the entity's name.
- **Risk Category 2**—Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- **Risk Category 3**—Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.



*FSU has an outstanding faculty with more than 2,100 members, which has included 10 National Academy of Sciences members and 4 American Academy of Arts and Sciences fellows, they are joined by 3,629 administrative/professional and support staff.*

Generally accepted accounting principles require the classification of credit risk of investments into the following three categories:



*In conjunction with information and database giant, LEXIS-NEXIS, FSU developed LEXIS®-NEXIS® Academic Universe. More than 1,300 colleges and universities, representing 80% of all students and faculty, are now using this powerful research tool.*



Vice President for Student Affairs from 1978-1988, Bobbie E. Leach, Ph.D., believed that the academic, social, and personal experiences of students bear strongly on their success and growth. Thanks to his leadership, students now enjoy the enlarged and renovated Oglesby Union, expanded intramural activity areas, and a recreation center, pictured here, named in his honor.

All university investments were in investment pools managed by the State Treasury and the State Board of Administration and cannot be categorized because the university's investments are not evidenced by specific, identifiable investment securities.

Under the state treasury's authority to purchase and sell securities, it has entered into reverse repurchase and secured lending agreements. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. A secured lending

agreement is a loan of securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. As required by generally accepted accounting principles, the university has reported



The Carnegie Foundation has designated FSU a "Doctoral/Research University-Extensive," placing the university in an elite group of the nation's top doctoral research universities.

investments and an offsetting current liability of \$48,002,479 in order to account for these transactions.

The investments shown in *figure 1* held by the university's component units at June 30, 2003, are reported at market value based on quoted market prices.

figure 1

Investments	RISK CATEGORY			Market Value
	1	2	3	
U.S. Government and Federally Guaranteed Obligations	\$ 135,895,622	\$ —	\$ —	\$ 135,895,622
Bonds and Notes	59,992,574	—	—	59,992,574
Stocks	242,371,549	—	—	242,371,549
<b>Total Classified Investments</b>	<b>\$ 438,259,745</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 438,259,745</b>
Investment Agreements				\$ 5,765,645
Real Estate Agreements				3,832,715
Money Market and Mutual Funds				21,378,999
<b>Total Nonclassified Investments</b>				<b>\$ 30,977,359</b>
<b>Total Component Unit Investments</b>				<b>\$ 469,237,104</b>

### 3. RECEIVABLES

#### ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the university, various auxiliary services provided to students and third parties, grant reimbursements due from third parties and interest from investments as shown in *figure 2*.

figure 2

Receivables	
Student Tuition and Fees	\$ 5,331,572
Contract and Grant	7,546,210
Sales & Services of Educational Departments	29,345
Sales & Services of Auxiliary Enterprises	4,062,721
Interest	1,098,983
Other	959,767
<b>Total Accounts Receivable</b>	<b>\$ 19,028,598</b>

#### 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

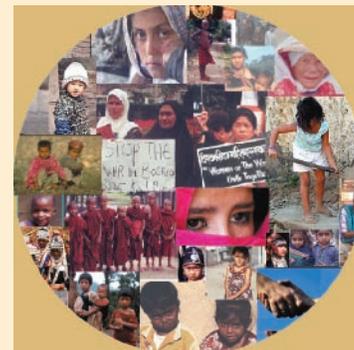
#### UNCOLLECTIBLE RECEIVABLES

Allowances for uncollectible accounts and loans and notes receivable are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and any other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$2,881,628 and \$2,630,568, respectively at June 30, 2003.

### 4. DUE FROM/TO COMPONENT UNITS/UNIVERSITY

The university's financial statements are reported for the fiscal year ended June 30, 2003. The university's component units' financial statements are reported for their most recent fiscal year where an audit report is available.

Accordingly, amounts reported by the university as Due From/To Component Units on the statement of net assets do not have corresponding amounts reported by the component units as Due From/To University.



The FSU Center for the Advancement of Human Rights trains undergraduate students from nine colleges and schools for placement in nongovernmental organizations as international human rights advocates.

## 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, as shown in *figure 3*.

figure 3

<b>Capital Assets</b>				
<b>Description</b>	<b>July 1, 2002</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2003</b>
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 33,402,540	\$ 39,165	\$ (410,000)	\$ 33,031,705
Construction in Progress	67,339,563	88,501,799	(38,766,023)	117,075,339
Historical Treasures	62,206,726	9,366,088	(23,525)	71,549,289
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 162,948,829</b>	<b>\$ 97,907,052</b>	<b>\$ (39,199,548)</b>	<b>\$ 221,656,333</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	\$ 588,244,916	\$ 34,637,021	\$ (3,666,096)	\$ 619,215,841
Infrastructure & Other Improvements	72,167,001	3,995,588	(936,286)	75,226,303
Furniture & Equipment	226,506,200	36,644,691	(17,824,408)	245,326,483
Library Resources	66,579,378	6,141,765	(738,932)	71,982,211
Other Capital Assets	2,754,304	145,091	(76,119)	2,823,276
<b>Total Depreciable Capital Assets</b>	<b>\$ 956,251,799</b>	<b>\$ 81,564,156</b>	<b>\$ (23,241,841)</b>	<b>\$1,014,574,114</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	\$ (163,191,957)	\$ (13,070,214)	\$ 1,254,185	\$ (175,007,986)
Infrastructure & Other Improvements	(15,093,959)	(2,826,372)	90,099	(17,830,232)
Furniture & Equipment	(145,203,122)	(22,754,830)	12,427,639	(155,530,313)
Library Resources	(36,135,605)	(5,899,085)	738,932	(41,295,758)
Other Capital Assets	(1,830,911)	(313,378)	32,938	(2,111,351)
<b>Total Accumulated Depreciation</b>	<b>\$ (361,455,554)</b>	<b>\$ (44,863,879)</b>	<b>\$ 14,543,793</b>	<b>\$ (391,775,640)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 594,796,245</b>	<b>\$ 36,700,277</b>	<b>\$ (8,698,048)</b>	<b>\$ 622,798,474</b>
<b>Total Capital Assets, Net</b>	<b>\$ 757,745,074</b>	<b>\$ 134,607,329</b>	<b>\$ (47,897,596)</b>	<b>\$ 844,454,807</b>



*"This is the aim of liberal education: To develop within each student the ability to view problems from many different perspectives and to find creative and humane solutions. The Liberal Studies curriculum trains you to think logically, to analyze clearly, and to communicate with precision and power." Karen L. Laughlin, Dean of Undergraduate Studies*

## 6. STATE RETIREMENT PROGRAMS

### FLORIDA RETIREMENT SYSTEM

Most employees working in regularly established positions of the university are covered by the Florida Retirement System, a state-administered, cost-sharing, multiple-employer, public employee defined-benefit retirement plan (plan). Plan provisions 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 plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all state departments, counties, district school boards, community colleges, and universities. Many municipalities and special districts have elected to be participating employers.

Essentially, all regular employees of participating employers are eligible and must enroll as members of the plan.

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position as of July 1, 2001, with a total of 6 or more years of creditable service will be considered vested. Former members who are not employed with a participating plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one year or the amount of time it

would have taken to vest in their class of membership prior to July 1, 2001. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security

benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of their monthly benefit payment while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly, is held in the Florida Retirement System Trust Fund. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

The plan's financial statements and other supplemental information are included in the state's comprehensive annual financial report, which is available from the state of Florida, Department of Financial Services in Tallahassee, Fla. An annual report on the plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the state of Florida, Division of Retirement in Tallahassee, Fla.

The state of Florida established contribution rates for plan members for the 2002-03 fiscal year are shown in *figure 4*.



*The School of Music, ranked 5<sup>th</sup> among public universities, is one of the nation's oldest and largest schools of music.*

*figure 4*

Class or Plan	Employee (%)	Employer <sup>A</sup> (%)
Florida Retirement System, Regular	0.00	5.76
Florida Retirement System, Special Risk	0.00	16.01
Florida Retirement System, Senior Management Services	0.00	6.06
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program—Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

NOTES:  
 (A) Employer rates include the post-employment health insurance supplement of 1.11 percent.  
 (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The university's liability for participation in the plan 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 to the plan (including employee contributions) for the fiscal years ended June 30, 2001, June 30, 2002, and June 30, 2003, totaled \$12,977,964, \$11,632,076, and \$9,463,976, respectively, which were equal to the required contributions for each fiscal year.

#### **STATE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM**

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (program) for eligible State University System faculty and administrators. The program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The program is designed to aid the university system in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System 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 Florida Retirement System. They also can 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. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 1,840 university participants

during the 2002-03 fiscal year. Required contributions made to the program totaled \$14,400,992, including \$2,213,597 from employee contributions.

#### **PUBLIC EMPLOYEE OPTIONAL RETIREMENT PROGRAM**

Effective July 1, 2002, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). This new program is an option to the Florida Retirement System and is self-directed by the employee. A retirement account is established for each participating employee and the participants have the responsibility of selecting how their funds are invested, within the approved set of investments choices, and may take their funds when they leave the Florida Retirement System.

There were 134 university participants during the 2002-2003 fiscal year. Required contributions made to the Public Employee Optional Retirement Program totaled \$204,241.

## **7. POSTEMPLOYMENT BENEFITS**

With Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all state-administered retirement systems in paying health insurance costs. During the 2002-03 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in state-administered retirement systems. This assessment is included in the Florida Retirement System contribution presented in note 6.

Eligible retirees, spouses, or financial dependents under any state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2002-03 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.



*The state's first-ever and continuously active chapter of the distinguished academic honor society Phi Beta Kappa was chartered in 1935 at Florida State College for Women.*

## 8. CONSTRUCTION COMMITMENTS

Figure 5 is a summary of the university's construction commitments (estimated cost of \$1 million or more) remaining as of June 30, 2003.

figure 5

Project Number	Project Name	Total Estimated Cost	Amount Expended	Amount Unspent
201	Parking Garage #2	\$ 17,600,894	\$ 14,375,503	\$ 3,225,391
207	Psychology Center	16,000,000	1,346,177	14,653,823
210	Oglesby Student Union Renovation	2,470,096	1,265,603	1,204,493
212	Campus Safety Improvements	2,690,715	317,620	2,373,095
213	Land Acquisition/Access Enhancement	14,500,000	5,562,045	8,937,955
214	University Concert Hall	8,618,244	783,204	7,835,040
216	Basic Science Complex - Partial	60,246,450	2,613,407	57,633,043
217	Alumni Center	5,500,000	234,530	5,265,470
218	Building Envelope Improvement	1,213,900	619,163	594,737
220	Mike Long Track Renovations	2,631,933	1,625,561	1,006,372
221	National Weather Service Collocation	5,467,667	36,062	5,431,605
222	Student Life Building	6,890,328	79,439	6,810,889
224	Utilities, Infrastructure, Cap Renewal, Roof	4,500,000	2,894,406	1,605,594
229	Montgomery Gym Remodeling	15,625,280	7,661,719	7,963,561
234	Bellamy Building Remodeling	10,425,000	8,814,884	1,610,116
235	Science Building Support System Improvement	2,750,000	1,826,778	923,222
236	Chemistry Building	12,000,000	280,496	11,719,504
237	Communications Lab	33,217,883	13,137,847	20,080,036
239	Maintenance Repairs Renovations	1,227,146	753,572	473,574
239A	Life Safety/ADA	2,863,342	1,851,325	1,012,017
245	Marine Research Training Facility	2,500,000	—	2,500,000
251	Parking Garage #3	1,000,000	—	1,000,000
252	New Residence Hall	27,996,017	20,830,401	7,165,616
253	Ringling Campuswide Projects	9,200,000	612,212	8,587,788
254	Shaw Building Renovation & Expansion	2,191,639	1,338,649	852,990
255	Ringling Ca'D'Zan Renovations	1,788,550	1,678,979	109,571
260	Student Residential Park	4,000,000	203,837	3,796,163
266	Critical Deferred Maintenance	2,813,364	659,312	2,154,052
267	Ringling Art Museum	3,895,100	2,219,527	1,675,573
270	Doak Campbell Stadium	2,495,235	570	2,494,665
272	Ringling Asolo Theatre	12,593,200	156,760	12,436,440
275A	Life Safety/ADA	3,033,686	1,945,860	1,087,826
275B	Maintenance Repairs Renovations	1,300,151	478,352	821,799
282	Ringling Main Galleries Expansion	11,500,000	—	11,500,000
283	Ringling Curatorial / Collections Facility	13,500,000	—	13,500,000
286	Utilities, Infrastructure, Capital Renewal, Roof	9,416,000	3,633,490	5,782,510
291	Maintenance Repairs Renovations	3,636,353	333,360	3,302,993
295	Ringling Museum of Art Repairs	3,000,000	2,557,942	442,058
299	Tibbals Learning Center	9,000,548	677,240	8,323,308
<b>Totals</b>		<b>\$ 351,298,721</b>	<b>\$ 103,405,832</b>	<b>\$ 247,892,889</b>

## 9. LONG-TERM LIABILITIES

Long-term liabilities of the university include bonds, installment purchase notes, and compensated absences. *Figure 6* presents the long-term liability activity for the fiscal year ended June 30, 2003.

Bonds, Series 2003A. The university's portion of the refunding, \$10,512,252, was used to defease \$11,084,192 of outstanding University System Improvement Revenue Bonds, Series 1993. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments

figure 6

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds and Notes:</b>					
Bonds	\$ 116,003,857	\$ 16,396,922	\$ 19,847,239	\$ 112,553,540	\$ 4,053,744
Installment Purchase Notes	15,324	1,327,774	230,186	1,112,912	443,399
<b>Total Bonds and Notes</b>	<b>\$ 116,019,181</b>	<b>\$ 17,724,696</b>	<b>\$ 20,077,425</b>	<b>\$ 113,666,452</b>	<b>\$ 4,497,143</b>
<b>Other Liabilities:</b>					
Compensated Absences	\$ 36,385,448	\$ 17,165,508	\$ 17,353,368	\$ 36,197,588	\$ 2,205,639
Other	48,033	—	—	48,033	—
<b>Total Other Liabilities</b>	<b>\$ 36,433,481</b>	<b>\$ 17,165,508</b>	<b>\$ 17,353,368</b>	<b>\$ 36,245,621</b>	<b>\$ 2,205,639</b>
<b>Total Long-Term Liabilities</b>	<b>\$152,452,662</b>	<b>\$ 34,890,204</b>	<b>\$ 37,430,793</b>	<b>\$ 149,912,073</b>	<b>\$ 6,702,782</b>

### BONDS PAYABLE

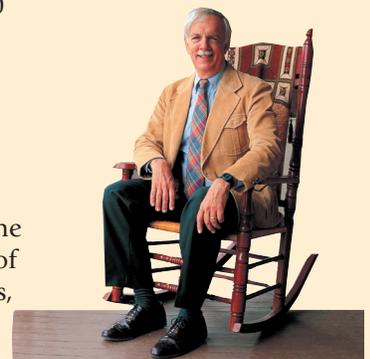
The university issued bonds and revenue certificates to construct university facilities, including parking garages and student housing facilities. Outstanding bonds and revenue certificates, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours. The State Board of Education issued both term and serial revenue bonds on behalf of the state's universities, the proceeds of which were used to acquire and construct various academic and student service facilities. The bonds are secured and payable from the capital improvement and building fees. The State Board of Administration administers the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

The university has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

- On April 10, 2003, the State Board of Education issued \$50,545,000 of University System Improvement Revenue Refunding

on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the university's statement of net assets. As a result of the refunding, the university reduced its debt service requirement by \$1,249,118 over the next 10 years and obtained an economic gain of \$1,073,639. At June 30, 2003, the outstanding balance of the defeased bonds was \$11,084,192.

- On May 6, 2003, the university issued \$5,585,000 of Parking Facility Revenue Refunding Bonds, Series 2003A. The refunding was used to defease \$5,450,000 of outstanding Parking Facility Revenue Bonds, Series 1992. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the university's statement of net assets. As a result of the refunding, the university reduced its debt service requirement by \$953,366 over the next 11 years and obtained an economic gain of \$804,741. At June 30, 2003, the outstanding balance of the defeased bonds was \$5,450,000.



Literature Professor Bruce Bixley is renowned worldwide for his research and writing on the works of Nathaniel Hawthorne and Joel Chandler Harris.



The 48-ft. Research Vessel (R.V.) Seminole makes way for the open waters of the Gulf of Mexico from the FSU Marine Lab at Turkey Point, Florida.

Figure 7 presents bonds payable at June 30, 2003.

figure 7

Bond Type and Series	Amount Outstanding	Interest Rate (Percent)	Maturity Date
<b>Auxiliary Revenue Bonds:</b>			
1964 Infirmary	\$ 21,000	3.625	2004
1969 Apartments	430,000	3.0	2009
1993 Housing	2,660,000	3.0	2022
1994 Housing	6,560,038	5.2 - 6.0	2023
1996 Housing	12,087,035	4.8 - 6.8	2026
2001 Housing	8,706,910	4.0 - 5.0	2030
2001 Parking	9,852,947	3.5 - 5.125	2022
2001A Housing	25,190,128	4.0 - 5.0	2031
2003A Parking	5,430,412	2.0 - 3.75	2014
<b>Total Auxiliary Revenue Bonds</b>	<b>\$ 70,938,470</b>		
<b>State University System Revenue Bonds:</b>			
1997 Trust Fund	4,251,305	5.0 - 7.0	2022
1997A Trust Fund	12,348,878	4.1 - 5.0	2016
1998 Trust Fund	6,494,206	4.0 - 5.0	2023
2001 Trust Fund	7,744,171	4.0 - 5.0	2026
2003A Trust Fund	10,776,510	3.0-5.0	2013
<b>Total State University System Revenue Bonds</b>	<b>\$ 41,615,070</b>		
<b>Total</b>	<b>\$ 112,553,540</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2003, are shown in figure 8.

figure 8

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 4,089,556	\$ 5,388,277	\$ 9,477,833
2005	4,229,977	5,220,569	9,450,546
2006	4,429,824	5,036,962	9,466,786
2007	4,642,947	4,845,361	9,488,308
2008	4,954,728	4,649,795	9,604,523
2009-2013	27,755,235	19,796,034	47,551,269
2014-2018	23,155,686	13,359,512	36,515,198
2019-2023	21,768,440	7,856,812	29,625,252
2024-2028	12,662,311	3,165,941	15,828,252
2029-2033	5,685,000	549,250	6,234,250
<b>Subtotal</b>	<b>\$ 113,373,704</b>	<b>\$ 69,868,513</b>	<b>\$ 183,242,217</b>
Less:			
Bond Discount/Premium	820,164		820,164
<b>Total</b>	<b>\$ 112,553,540</b>	<b>\$ 69,868,513</b>	<b>\$ 182,422,053</b>

## INSTALLMENT PURCHASE NOTES

The university is acquiring machinery and equipment with an asset value of \$1,337,043 under installment purchases. Future minimum payments remaining under installment purchase notes and the present value of the minimum payments as of June 30, 2003, are shown in figure 9.

## COMPENSATED

### ABSENCES

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code; and pursuant to bargaining agreements with the United Faculty of Florida. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. GASB Statement No. 16 requires that the university accrue a liability in the statement

figure 9

Fiscal Year Ending June 30,	Installment Purchases
2004	\$ 449,025
2005	442,591
2006	221,296
<b>Total Minimum Payments</b>	<b>\$ 1,112,912</b>
<b>Less:</b>	
Amount Representing Interest	—
<b>Present Value of Minimum Payments</b>	<b>\$ 1,112,912</b>

of net assets for its employees' right to receive compensation for future absences when certain conditions are met, whereas state appropriations fund only the portion of accrued leave that is used or paid in the current

fiscal year. Although the university expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a



Among all public and private colleges and universities in the nation, FSU ranks fourth in the amount of royalties earned from faculty research.

receivable in anticipation of future appropriations. Consequently, the recording of the liability for compensated absences without the corresponding recognition of such future resources results in the appearance of a reduced ability to meet current obligations. At June 30, 2003, the estimated liability for annual and sick

leave, which includes the university's share of the Florida Retirement System and FICA contributions, is \$16,896,269 and \$19,301,319, respectively. Net assets reported at June 30, 2003, of \$1,095,399,432 would have been \$1,131,597,020 had such liability for compensated absences not been applied against it. The current compensated absences liability is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

## 10. OPERATING LEASE COMMITMENTS

The university has long-term commitments for assets leased under operating leases. These assets are not recorded on the statement of net assets; however, the operating lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. Outstanding commitments resulting from these lease agreements are not considered material and are contingent upon future appropriations.

## 11. DEFERRED REVENUES

Deferred revenues include amounts received prior to the end of the fiscal year but related to subsequent accounting periods. As of June 30, 2003, the university had the amount shown in *figure 10* reported as deferred revenues.

*figure 10*

Capital Appropriations	\$	50,700,000
Housing Fees		4,064,057
Athletic Revenues		8,706,984
<b>Total Deferred Revenues</b>	<b>\$</b>	<b>63,471,041</b>

## 12. FUNCTIONAL DISTRIBUTION OF EXPENSES

The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classification. Below are those same expenses presented in functional classifications as recommended by NACUBO. The functional classification

(instruction, research, public services, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, the proper classification of all departmental expenses is instruction. A



FSU is among the top 14 law schools recognized for faculty improvement since 1992 by the biennial Educational Quality Rankings of U.S. Law Schools. Other law schools cited in the rankings include New York University, Georgetown, University of California, Berkeley and the University of Texas. FSU is the only Florida law school in the top 14.



FSU was ranked third nationally in the June 2003 issue of *Black Issues in Higher Education* magazine for number of baccalaureate degrees earned by African Americans among traditionally white universities and 10th among all U.S. universities.

summary of the functional classification of expenses is shown in *figure 11*.

*figure 11*

Functional Classification	
Instruction	\$ 180,485,901
Research	85,543,014
Public Service	36,208,824
Academic Support	41,886,356
Student Services	23,727,525
Institutional Support	35,113,074
Operations of Plant	34,295,175
Scholarships	34,507,620
Auxiliary Enterprises	96,531,614
Depreciation	46,831,477
Loan Operations	742,476
<b>Total Expenses</b>	<b>\$ 615,873,056</b>

property and casualty insurance, for state employees' workers' compensation, general liability, and fleet automotive liability. The university participates in these programs. Property losses in excess of \$4 million are commercially insured up to \$300 million per loss event. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

University employees may obtain health care services through participation in the state's 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 the risks of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust

### 13. LITIGATION

The university is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the university's general counsel and management, should not materially affect the financial condition of the university.

### 14. RISK MANAGEMENT PROGRAMS

In accordance with a program for central insurance purchases adopted by the Florida Cabinet in 1969, the Department of Management Services has the authority to purchase insurance on behalf of all state agencies. This authority is the result of the enactment of Section 287.022, Florida Statutes. Other actions by the Legislature have resulted in the development of state self-insurance funds providing hazard insurance for



Human Sciences Prof. Kennita Kind and Housing Instructor Patty Hattaway. The School of Human Sciences is the fastest growing school or college at FSU, and has one of the largest graduate programs nationally in the human sciences.



Six Nobel Laureates, including the father of modern physics Paul Dirac, memorialized in London's Westminster Abbey, have served on FSU's faculty. In the 1920s, Dirac laid down the mathematical foundation of quantum mechanics, the study of matter and radiation at an atomic level. Then, in 1928 Dirac predicted the existence of antimatter by combining quantum mechanics with Einstein's theory of relativity

Fund. It is the practice of the state not to purchase commercial coverage for the risks of losses covered by this fund. Additional information on the state's group health insurance plan, including the actuarial report, is available from the Division of State Group Insurance in the Department of Management Services.

## 15. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or group of activities), which has a revenue stream pledged in support of revenue bonds and has related revenues, expenses, gains, losses, assets, and liabilities that are required by a third-party to be accounted for separately. The financial information shown in *figure 12* for the university's parking and housing facilities represents identifiable activities, each of which has one or more revenue bonds outstanding.

*figure 12*

CONDENSED STATEMENT OF NET ASSETS		
	Parking Facility	Housing Facility
<b>Assets</b>		
Current assets	\$ 5,513,891	\$ 21,089,085
Capital assets	18,675,178	76,796,999
Other noncurrent assets	1,106,800	13,194,936
<b>Total assets</b>	<b>25,295,869</b>	<b>111,081,020</b>
<b>Liabilities</b>		
Current liabilities	1,000,862	10,213,841
Noncurrent liabilities	14,558,503	54,258,307
<b>Total liabilities</b>	<b>15,559,365</b>	<b>64,472,148</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	4,236,501	24,105,742
Restricted	2,065,090	6,697,651
Unrestricted	3,434,913	15,805,479
<b>Total net assets</b>	<b>\$ 9,736,504</b>	<b>\$ 46,608,872</b>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
	Parking Facility	Housing Facility
Operating revenues	\$ 6,658,823	\$ 15,330,642
Operating expenses	2,676,817	10,421,646
<b>Net operating income</b>	<b>3,982,006</b>	<b>4,908,996</b>
Net nonoperating expenses	(604,980)	(650,424)
Income before other revenues, expenses, gains or losses	3,377,026	4,258,572
Other revenues, expenses, gains or losses	(1,134,184)	2,125,166
Increase in net assets	2,242,842	6,383,738
Net assets—beginning of year	7,493,662	40,225,134
<b>Net assets—end of year</b>	<b>\$ 9,736,504</b>	<b>\$ 46,608,872</b>
CONDENSED STATEMENT OF CASH FLOWS		
	Parking Facility	Housing Facility
Net cash flows from operating activities	\$ 4,124,379	\$ 6,777,577
Net cash flows from noncapital financing activities	(1,134,184)	2,125,166
Net cash flows from capital and related financing activities	(2,970,306)	(25,026,798)
<b>Net cash flows from investing activities</b>	<b>2,531,556</b>	<b>19,087,901</b>
<b>Net increase in cash</b>	<b>2,551,445</b>	<b>2,963,846</b>
Cash and cash equivalents—beginning of year	1,991,997	13,440,983
<b>Cash and cash equivalents—end of year</b>	<b>\$ 4,543,442</b>	<b>\$ 16,404,829</b>

*figure 13*

<b>Condensed Statement of Net Assets</b>	
<b>Assets</b>	
Current Assets	\$
Capital Assets, Net	
Other Noncurrent Assets	
<b>Total Assets</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Noncurrent Liabilities	
<b>Total Liabilities</b>	
<b>Net Assets</b>	
Invested in Cap. Assets, Net of Related Debt	
Restricted	
Unrestricted	
<b>Total Net Assets</b>	<b>\$</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>	
<b>Operating Income</b>	
Operating Revenues	\$
Operating Expenses	
<b>Net Operating Income/(Loss)</b>	
<b>Net Nonoperating Revenues/(Expenses)</b>	
<b>Other Revenues, Expenses, Gains and Losses</b>	
<b>Increase (Decrease) in Net Assets</b>	
<b>Net Assets—Beginning of Year</b>	
<b>Net Assets—End of Year</b>	
	<b>\$</b>

## 16. COMPONENT UNITS

The university has eight component units as detailed in the summary of significant accounting policies. Shown in *figure 13* is summary financial information from the most recent available audited component unit financial statements.

Alumni Association 6/30/02	International Programs 6/30/02	FSU Foundation 6/30/03	Seminole Boosters 1/31/03	Financial Assistance 1/31/03	Research Foundation 6/30/03	Ringling Museum 6/30/02	FSU Schools, Inc. 6/30/02	Total
1,178,597	\$ 4,059,482	\$ 3,266,456	\$ 41,740,625	\$ 11,504,353	\$ 157,210,783	\$ 3,125,242	\$ 5,743,977	\$ 227,829,515
27,103	14,000,155	27,890,357	13,879,143	66,745,549	26,945,379	581,163	26,389,942	176,458,791
57,268	753,361	389,835,652	47,898,831	18,081,498	1,280,498	168,902	—	458,076,010
1,262,968	18,812,998	420,992,465	103,518,599	96,331,400	185,436,660	3,875,307	32,133,919	862,364,316
155,983	3,898,161	85,248,163	5,301,552	8,641,939	73,496,106	252,050	1,177,544	178,171,498
—	9,840,544	7,010,725	12,320,138	76,455,897	25,837,222	3,430	23,829,786	155,297,742
155,983	13,738,705	92,258,888	17,621,690	85,097,836	99,333,328	255,480	25,007,330	333,469,240
27,103	794,639	4,436,555	8,719,096	9,649,405	1,317,813	581,163	2,319,942	27,845,716
—	—	318,647,201	62,691,155	—	—	2,793,571	166,285	384,298,212
1,079,882	4,279,654	5,649,821	14,486,658	1,584,159	84,785,519	245,093	4,640,362	116,751,148
1,106,985	\$ 5,074,293	\$ 328,733,577	\$ 85,896,909	\$ 11,233,564	\$ 86,103,332	\$ 3,619,827	\$ 7,126,589	\$ 528,895,076
569,663	\$ 7,710,505	\$ 16,829,600	\$ 20,378,352	\$ 4,005,023	\$ 29,361,411	\$ 2,279,240	\$ 7,522,080	\$ 88,655,874
624,644	6,159,384	42,823,528	18,918,716	1,737,592	29,443,535	4,066,258	8,752,143	112,525,800
(54,981)	1,551,121	(25,993,928)	1,459,636	2,267,431	(82,124)	(1,787,018)	(1,230,063)	(23,869,926)
(80,297)	(699,788)	6,516,723	(7,942,622)	(1,855,426)	1,938,422	81,162	(1,174,596)	(3,216,422)
—	—	17,826,226	2,514,607	5,879,891	—	—	1,432,173	27,652,897
(135,278)	851,333	(1,650,979)	(3,968,379)	6,291,896	1,856,298	(1,705,856)	(972,486)	566,549
1,242,263	4,222,960	330,384,556	89,865,288	4,941,668	84,247,034	5,325,683	8,099,075	528,328,527
1,106,985	\$ 5,074,293	\$ 328,733,577	\$ 85,896,909	\$ 11,233,564	\$ 86,103,332	\$ 3,619,827	\$ 7,126,589	\$ 528,895,076

Financial data reported for the University's component units in the 2001-02 fiscal year financial statements was generally 2000-01 fiscal year financial data since the component units' 2001-02 fiscal year financial data was not available when the university completed its financial statements. Accordingly, the beginning net assets of \$528,328,527 reported for the component units in the accompanying financial statements differ from the component units' prior-year ending net assets by \$1,537,364.



Of the 4,240 first-time, full-time freshman who applied for need-based aid, 2,693 or 64 percent were judged to qualify.



The average financial aid package for any freshman receiving aid was \$5,616.

## Financial Aid Administered

FOR THE YEAR ENDED JUNE 30, 2003 (UNAUDITED)

	Number of Recipients	Aid Disbursed
<b>Federal Programs</b>		
Pell Grants	9,450	\$ 17,920,230
SEOG	1,705	1,269,125
Federal College Work Study	1,772	1,022,294
Perkins Student Loans	1,585	2,681,845
Stafford Loans		
Subsidized	28,860	53,078,246
Unsubsidized	23,470	42,868,382
Plus	2,038	7,426,095
NFSL/Private Loans	1,456	4,766,060
<b>Total Federal Financial Aid Administered</b>	<b>70,336</b>	<b>\$ 131,032,277</b>
<b>State Programs</b>		
Florida Student Assistance Grants(FSAG)	4,604	\$ 3,891,801
Florida Student Assistance Grants(FSAG)-Part Time	296	139,583
Bright Futures Scholarships	14,807	27,272,297
Other States' Scholarships	232	223,842
<b>Total State Scholarships &amp; Grants Administered</b>	<b>19,939</b>	<b>\$ 31,527,523</b>
<b>Institutional Programs</b>		
FSU Delayed Delivery Loans & Emergency Loans	5,134	\$ 4,447,680
Merit Scholarships	6,721	10,545,984
Florida State University Grants	10,333	11,311,978
Other Institutional Grants	14	79,945
<b>Total Institutional Loans, Scholarships &amp; Grants Administered</b>	<b>22,202</b>	<b>\$ 26,385,587</b>
<b>Private Scholarships</b>		
Foundation Scholarships	1,765	\$ 2,526,404
Private Scholarships	3,022	4,296,537
<b>Total Private Scholarships</b>	<b>4,787</b>	<b>\$ 6,822,941</b>
<b>Tuition Waivers</b>	<b>5,727</b>	<b>\$ 12,921,838</b>
<b>Total Financial Aid Administered</b>		<b>\$ 208,690,166</b>



FSU students are eligible for Federal Perkins Loans, Plus Loans and Subsidized and Unsubsidized Stafford loans, among others.

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