

ANNUAL REPORT

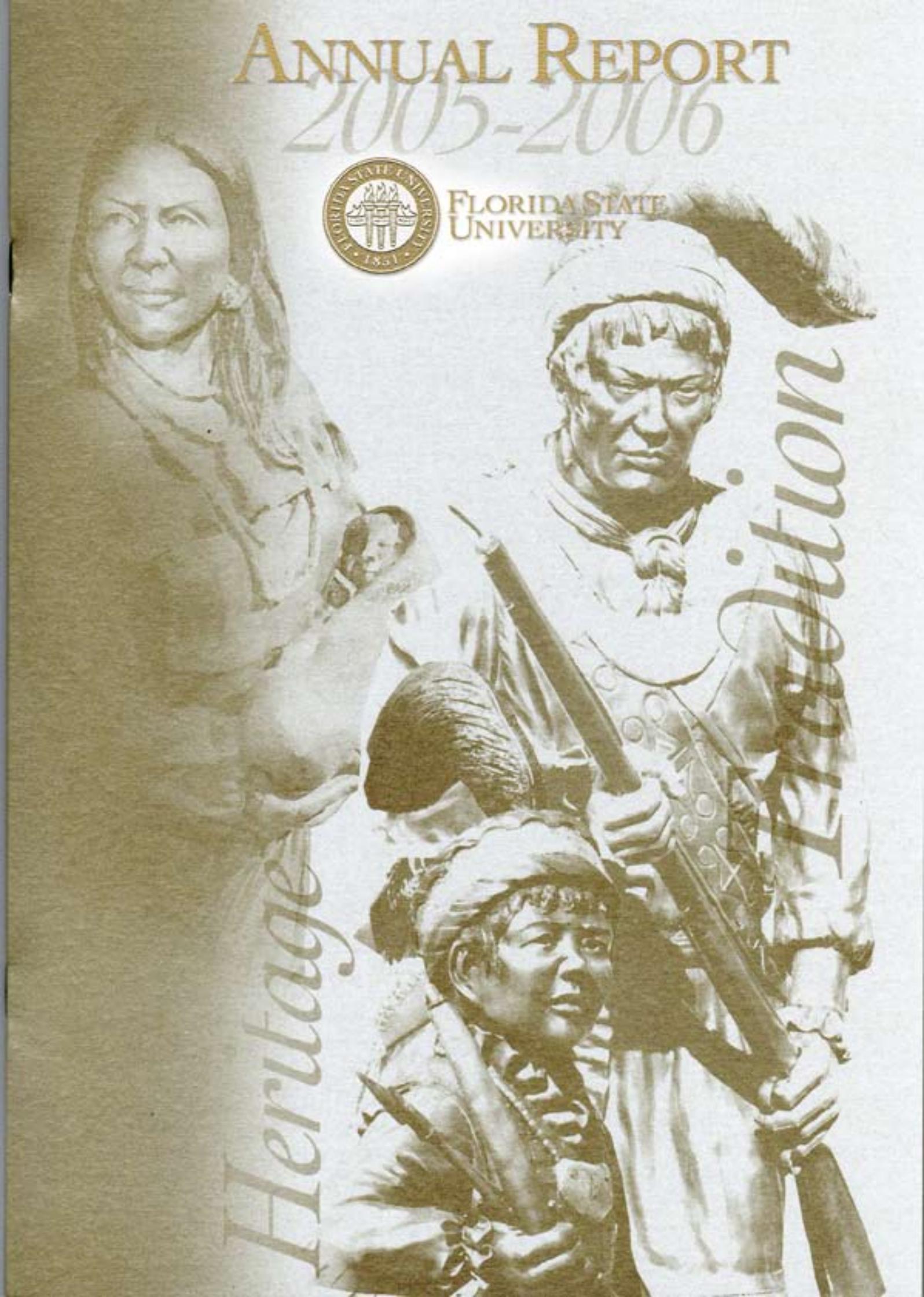
2005-2006



FLORIDA STATE
UNIVERSITY

Heritage

Tradition



ANNUAL REPORT

FLORIDA STATE UNIVERSITY



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From the
Senior Vice President
for Finance & Administration



John R. Carnaghi

The renowned psychologist B.F. Skinner wrote, "The real problem is not whether machines think, but whether men do." The 2005-2006 fiscal year at Florida State University witnessed not only the advancement of technology, but, moreover, the critical thinking required to ensure that our "machines" do, indeed, serve the human needs that are the basis for FSU's existence.

Just one short year ago, in 2004-2005, the university implemented its most far-reaching technological endeavor — OMNI (Online Management of Networked Information). Embedded within the concept of enterprise resource planning, our new OMNI system — functioning particularly within the areas of financial services and human resource management — integrated multiple information-technology systems into a unified system in order to facilitate data sharing, access and use throughout the FSU community. Customer-based, OMNI's implementation succeeded in connecting our faculty, staff, students and partners to the multiplicity of business processes required to manage and coordinate this large and complex institution.

But technology, as well as the human and organizational needs it serves, does not stand still. The software backbone of OMNI, PeopleSoft Version 8.9, was successfully upgraded in April 2006 for activities including time reporting, recruiting, purchasing, and travel and expenses, thereby making these operations more efficient than they were just one year ago when OMNI came on line. Other OMNI accomplishments included, but were not limited to: development of queries and reports to troubleshoot and maintain the integrity of budget

balances; the integration of the automated financial statement system to produce year-end financial statements; the integration of the automated fall appointment/contract process; assistance with the design and construction of the remote Information Technology Integration Disaster Recovery site; the construction of an OMNI data warehouse; and enhancement of the bank reconciliation function. The past year's OMNI accomplishments are not the realization of finite objectives. Rather, they are indications of the continuous work we must do with OMNI and other technological systems in the years to come.

To coordinate the entire OMNI project, the ERP User Council continued its work throughout the past fiscal year. Composed of senior university administrators and key stakeholders, the council steered the project along its desired course. Its deliberations, focused primarily upon performance, stability and required personnel, helped ensure that OMNI will meet its overall objective of meeting human needs through the use of advanced technology.

Critical thinking and planning, however, are applicable to university functions above and beyond information technology. During the 2005-2006 fiscal year, the Division of Finance and Administration embarked upon its second five-year strategic plan. The first strategic plan (2001-2006) had proven itself to be a very effective tool for charting the future course of the division's operations. Strategic planning is a "living" process that evolves over time to ensure that the division effectively addresses future challenges and opportunities to better serve the university community.

As with OMNI, our strategic planning process is people-based. It is a participative and comprehensive process that seeks out thoughts and innovative ideas from employees at all hierarchical levels. By actively involving our employees in the process and encouraging their critical thinking, we not only enrich our strategic planning process, we strengthen the employee "buy-in" that is absolutely essential for its ultimate success.

As a result of our collective efforts, we set seven strategic imperatives that will guide divisional operations from 2006 through 2011. They are as follows:

- Foster a spirit of customer service
- Pursue value-added business opportunities

- Promote excellence in technology services
- Make FSU a great place to work
- Optimize organizational performance
- Achieve excellence in the physical campus environment
- Maintain a safe, secure and compliant campus environment

To achieve these seven imperatives, the 21 administrative units comprising Finance and Administration developed 66 strategic initiatives, i.e., broad yet measurable objectives that we will achieve during the next five years. Aligned with the seven imperatives, the accomplishment of these initiatives will require the active involvement and flexible thinking of all divisional employees. Two-way communication channels and administrative structures have been established and activated to ensure that we actually accomplish what we say we will.

If our OMNI and strategic planning accomplishments represent the development of the healthy "mind," then our past year's construction achievements represent the development of the healthy "body." Our General Classroom Building, which neared completion at the end of the fiscal year, will significantly augment the essential academic space we require in the form of new lecture halls, classrooms and computer laboratories. The completed renovations of Landis Hall and the Shaw Building provide state-of-the-art residence hall and telecommunications facilities, respectively, while the completion of Phase II of the College of Medicine Complex reflects the rapid advancement and growth of our still-young medical education program. Numerous other construction projects — in planning, under construction or completed — are necessary complements to the myriad of teaching, research, student-centered and administrative/financial tasks that are the pulse of this institution.

Our commitment to progress, excellence and measurable achievement is well evidenced by our past year's successes with OMNI, strategic planning and construction. This four-way partnership of technology, planning, human thought and physical expansion has served Florida State University well and shall continue to serve it in the years to come.



PRESIDENT'S MESSAGE

Dear Friends,

It was a little over three years ago, with the change in administration, that Florida State University's Board of Trustees committed itself and made it a prerequisite of the new administration to develop a plan of action to raise the academic stature of this institution.

The Board of Trustees acknowledged that Florida State already was an excellent university but believed we could be even better. They wanted a plan that was bold and creative. Most at the time seemed to rally around the goal of membership in the Association of American Universities, or AAU.

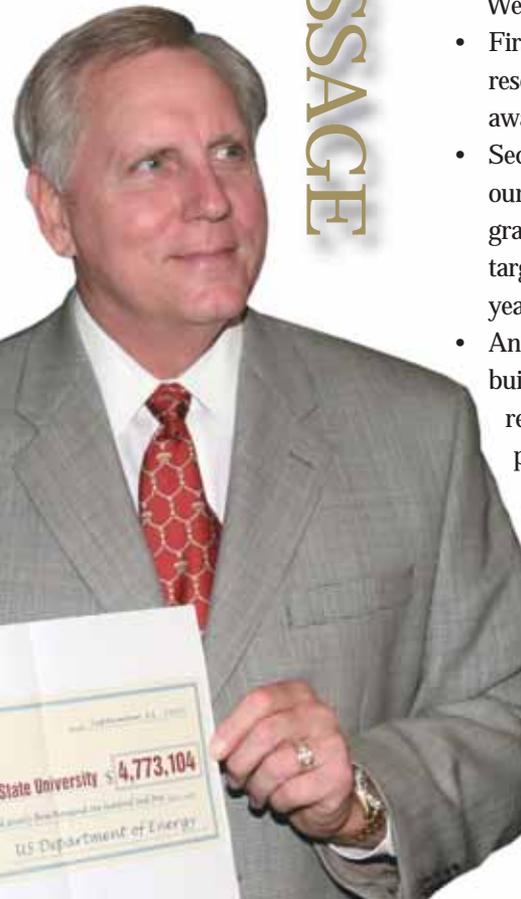
To the Florida State family, the goal was broader. It was an effort to make FSU one of the nation's top public graduate research universities. It was a commitment to build an imaginative plan from the ground up, with faculty, staff and student involvement.

If FSU were to be admitted to the AAU, so be it. If not, FSU would be a stronger university because of the joint effort—"Pathways of Excellence."

Last year, when we formally announced "Pathways of Excellence," we committed ourselves to the specific plan of becoming one of the top research and graduate education institutions in the United States.

We said we would achieve this ambitious goal:

- First, by dramatically increasing our federal research grant expenditures and tripling our grant awards from the National Institutes of Health.
- Second, by increasing our number of Ph.D. graduates toward a target of 400-450 per year.
- And third, by building our scholarly reputation and productivity.



In September 2005, FSU President T.K. Wetherell proudly displayed a \$4.77-million check from the U.S. Department of Energy to fund additional research at the university's Center for Advanced Power Systems. With the award, CAPS will work to improve the reliability and security of the nation's electric power grid.



W. Ross Ellington, the Greenberg Professor of Biological Science and director of the Institute of Molecular Biophysics at FSU, was chosen to lead the "Pathways of Excellence" initiative in September 2005.

So, how have we done in a year?

- We have recorded our best research grant year yet, with \$190 million. That's nearly 18 percent more than last year.
- We have graduated 15 percent more Ph.D.s.
- We have enhanced our scholarly reputation.
- Our Nobel laureate, Sir Harold Kroto, had the rare honor of being elected as a Foreign Associate to the National Academy of Science.
- Our Professor of Dance Suzanne Farrell won Kennedy Center Honors.
- We added a new Eppes Professor to our faculty. Barbara Foorman is one of the top literacy researchers in the nation.
- Simon Ostrach, a member of the National Academy of Engineering, is another internationally renowned scholar who has joined our faculty.
- We lured the Applied Superconductivity Center, led by David Larbalestier, from the University of Wisconsin; in addition, we invested more than \$4 million to renovate the Shaw Building to accommodate this world-class center. Larbalestier also is a member of the National Academy of Engineering.
- Lt. Col. Ronald P. Elrod, commander of our Army ROTC, was named the nation's top professor of military science.
- Our nuclear physics group is recognized as No. 7 in the country in producing Ph.D.s over the past five years.

We've made some good progress.

- The College of Information's program in Information Studies/Technology is one of the most respected and consistently top-ranked programs, and its Services for Children and Youth Library Specialty is No.1 in the nation.
- Our undergraduate accounting program in the College of Business is among the top 20 at public universities.
- Our arts programs, taken together, put us at the very top of anyone's rankings. The latest *U.S. News & World Report* puts the College of Music fifth among public universities, with the opera program No. 3.
- Among our students, Garrett Johnson became our first Rhodes Scholar in more than 20 years, and our new Office of National Fellowships provided support so that a record number of our students have won top awards.
- We just welcomed our strongest freshman class ever. Not only is the class the strongest we've seen, it's one of the strongest in the nation — and that's with 30 percent who are the first in their family to attend college.
- More and more of our students are choosing to accept the demands of honors courses, and our Spring 2006 commencement ceremonies not only saw the largest group of graduates in the university's history but also the largest number of Honors in the Major graduates.
- We also saw construction of world-class facilities across this campus. We broke ground on new Chemistry and Life Science Buildings, and we completed the final phase of Medicine, the first phase of Psychology and a new classroom building. Two new residence halls and parking garages also are under construction. Construction will start this fall on the Materials Research Building. That's just a small part of the half-billion dollars in construction that is reshaping this campus.

All of that is wonderful news. And while I could report many other significant accomplishments, I want to take the rest of my time with you to tell you about ways we are working to make our "Pathways" vision a reality.

This year, we are proud to report that Florida State University is taking unparalleled steps to build our faculty. This hiring effort is striking for its ambition, for its innovation, for its process and for the way it's funded.

In the next five years, we will authorize the hiring of 200 senior faculty members in interdisciplinary clusters of five to eight people based on an academic theme or research area.

Many of those new faculty members will be national and international leaders in their field. That's going to build our faculty ranks by nearly 20 percent over today.

Whom we hire and how we hire them will be a far cry from what we've done in the past and from what other universities are doing.

No other university is saying to current faculty, "We're going to hire hundreds of top-notch faculty members in the next five years — and who they are and what they teach is up to you. You come up with the ideas for broad, interdisciplinary approaches. You decide what the clusters and academic themes should be. You nominate the new hires. You evaluate them. And

central administration will provide \$100 million to pay for it—with no cost sharing by your college."

It's an approach that is creating a buzz around the country.

A recent report from Harvard recommends a "Pathways"-type approach. That great university has examined its academic and hiring practices and realized it was coming up short. They're trying to get more nimble. They're promoting collaborations. They want to cut through barriers.

They need to take a look at Florida State. We're already at work doing what they're just now proposing. And the academic world is taking notice.

It really provides some exciting opportunities. Although we already have many world-class programs, many others need just a little push to reach top level. Now we can provide that push. Since many of our new hires will be senior faculty, they will arrive with fully established programs, grants, and graduate students and postdoctoral fellows. Just look at the Applied Superconductivity Center as a sample of what's ahead for this institution.

"Pathways of Excellence" is an initiative with deep roots at this institution. Our progress is a direct outgrowth of the vision expressed by the initial Board of Trustees and many faculty, administrators and friends



FSU President T.K. Wetherell speaks to FSU students and their parents during Parents' Weekend in November 2005. Parents' Weekend is a Florida State University tradition that provides an opportunity for parents to visit their student while also gaining exposure to the FSU community.

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FLORIDA STATE
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of this institution. The path foreseen and recommended in 1998 by the Commission on the Future has become today's "Pathways of Excellence."

That commission said: "We aspire to move Florida State into the top tier of national research universities. Emphasis on our graduate programs and the research programs of the faculty are central to achieving excellence."

The commission told us we had the potential to move a number of our programs to the top ranks nationally. To make that happen, we would need to focus our limited resources and invest strategically in those areas where we have the greatest opportunity to succeed. For that reason, we would have to focus on interdisciplinary research and teaching.

Since the Commission on the Future report, we've put some very important interdisciplinary research and resources in place.

Our renowned National High Magnetic Field Laboratory is the ultimate in interdisciplinary units, with research under way in physics, chemistry, astrophysics, geological sciences, biochemistry and biophysics, materials science and engineering. Last February, the National Science Foundation recognized the lab's record of success in scientific research by deciding to accept a renewal proposal

rather than open a national competition to operate the facility. This decision means the magnet lab will remain in Tallahassee for at least the next five years.

The magnet lab is far from our only interdisciplinary facility. Faculty in the School of Computational Science partner with scientists in other units to study subjects as varied as evolutionary biology, structural biology, chemistry, physics and materials science.

The Florida Center for Reading Research brings together psychologists, reading specialists and clinicians to ensure that all of our children have the reading skills they need to succeed in school and throughout their lives.

The College of Medicine is a giant interdisciplinary cluster, with faculty studying everything from the basic biomedical sciences to medical humanities. Jayne Standley is a pioneer in this kind of collaboration. Her work in music therapy has led to new techniques that help premature babies thrive.

These are just a few examples of the path we've been on for nearly a decade. Through "Pathways of Excellence," we'll find an even firmer footing.

The vision of "Pathways" is that creating interdisciplinary faculty clusters will lead to development of many new interdisciplinary doctoral programs that will tap into new and stronger pools of graduate applicants. Top scholars help attract young

scholars who are on track to be top scholars. We need great undergraduate programs to underpin great graduate programs.

Within the span of the "Pathways" initiative, between 30 and 40 cluster hiring proposals will be approved. At the same time, we will continue to hire faculty to compensate for turnover due to retirement and departures.

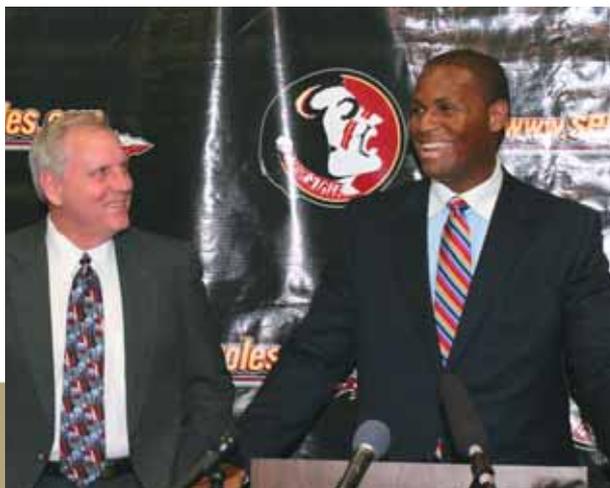
This truly is an ambitious approach. Thanks to the commitment of this faculty, we've made great progress, but there is a long way to go.

We're going to need to continue to focus our efforts. Gaining recognition in research is a highly competitive business. We will need to continue to work smart. We may need to redeploy and concentrate our resources. Clearly, financial discipline will be required, but we are committed to working to address salary issues and improve conditions for our entire faculty and staff.

Moving toward these goals, based on the strength of current and new faculty, will have a dramatic impact on this institution. This is a transforming effort for this university, both at the graduate and undergraduate levels.



Mitchell Cypress, above left, the chairman of the Tribal Council of the Seminole Tribe of Florida, was a special guest of FSU President T.K. Wetherell during a taping of the "Issues in Education" current-events television program in September 2005. Cypress and other members of the tribe were at FSU to receive academic and athletic honors from the university.



In November 2005, student-athlete Garrett Johnson reached the pinnacle of academic achievement when he was named a Rhodes Scholar, becoming the second FSU student to have achieved the honor. "The Rhodes Scholarship merely confirms what we have known all along — that this is a tremendous young man with a very bright future ahead of him," said President T.K. Wetherell, who congratulated Johnson at a Nov. 21 news conference.



MISSION

Florida State University is a comprehensive national, graduate research university that puts research into action for the benefit of our students and society. Our extensive graduate programs and our law and medical schools enrich the graduate, professional and undergraduate experiences, making Florida State University a demanding and intellectually stimulating environment for students and faculty.

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.

One significant goal of Florida State University is to become recognized nationally and internationally for our teaching and research programs. Excellence in academics and research will result with our increased emphasis on developing, retaining and rewarding a talented and diverse faculty.

HISTORY

Florida State University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by an act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida

Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. It has grown from an enrollment of 4,056 in 1947 to an enrollment of 39,652 in the fall semester of 2005.

CAMPUS/CENTERS/PROGRAMS

In each succeeding decade, the university has added to its academic organization and now comprises 16 colleges. It has expanded to more than 510 buildings on approximately 1,521 acres, including the downtown Tallahassee main campus of 45 acres and the Ringling Museum of 57 acres. The university also offers degree programs in Sarasota, Fla., and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development and/or service programs in Costa Rica, Croatia and Italy.

Through the Center for Professional Development, the university conducts off-campus credit courses and degree programs, as well as non-credit

programs, workshops, seminars and conferences. The university also operates the John and Mable Ringling Museum of Art, located in Sarasota, which is the largest museum/university complex in the nation.

STUDENTS

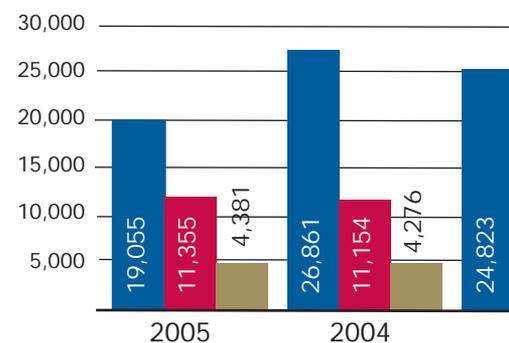
As a major comprehensive residential state university, Florida State attracts students from every county in Florida, every state in the nation and more than 130 foreign countries. The university is committed to high admission standards that ensure quality in its student body, which includes some 137 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. The university also provides alternative admissions and highly successful retention programs for special student populations. Most students pursue a full-time course of study in normal progression from high school or undergraduate institutions.

Graduate students comprise more than 20 percent of the student body and are enrolled in 212 graduate degree programs, of which 73 are doctoral.



In disciplines ranging from the arts and humanities to science and technology, FSU faculty members share the excitement of discovery so important to educating America's young people.

FRESHMEN APPLIED, ADM



FINANCIAL AID ADMINISTERED

For the Year Ended June 30, 2006

| Description | Number of Awards | Aid Disbursed |
|--|------------------|-----------------------|
| Federal Programs | | |
| Pell Grants | 12,854 | \$ 18,196,260 |
| SEOG | 1,469 | 1,128,219 |
| Federal College Work Study | 577 | 878,262 |
| Community Service | | |
| Learning Program | 75 | 136,085 |
| Perkins Student Loans | 2,033 | 4,083,844 |
| Scholarship for | | |
| Disadvantaged Students | 33 | 12,205 |
| Stafford Loans | | |
| Subsidized | 29,915 | 67,177,276 |
| Unsubsidized | 24,891 | 62,342,467 |
| Plus | 2,290 | 11,246,267 |
| NFSL/Private Loans | 2,393 | 10,195,420 |
| Total Federal Financial Aid Administered | 76,530 | 175,396,305 |
| State Programs | | |
| Florida Student Assistance | | |
| Grants (FSAG) | 5,681 | 4,413,054 |
| Bright Futures Scholarships | 35,221 | 42,460,885 |
| Other States' Scholarships | 329 | 239,966 |
| Total State Scholarships & Grants Administered | 41,231 | 47,113,905 |
| Institutional Programs | | |
| FSU Delayed Delivery Loans & Emergency Loans | | |
| | 4,479 | 4,187,926 |
| Merit Scholarships | 6,263 | 7,423,846 |
| Florida State | | |
| University Grants | 13,505 | 12,030,983 |
| Other Institutional Grants | 33 | 78,736 |
| Total Institutional Loans, Scholarships & Grants Administered | 24,280 | 23,721,491 |
| Private Scholarships | | |
| Foundation Scholarships | 3,025 | 3,084,439 |
| Private Scholarships | 4,485 | 4,465,048 |
| Total Private Scholarships | 7,510 | 7,549,487 |
| Tuition Waivers | 11,382 | 31,023,678 |
| Total Financial Aid Administered | | \$ 284,804,866 |

Note: Individuals may receive multiple awards within a year.

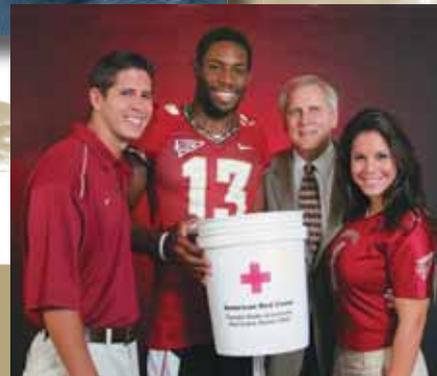
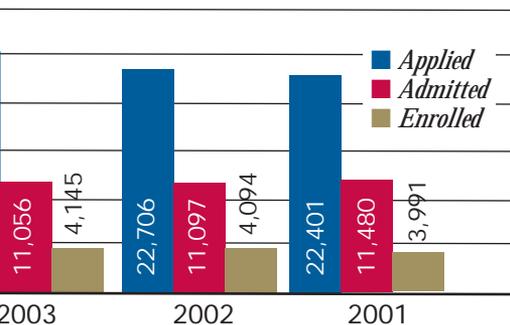
HEAD-COUNT ENROLLMENT by COLLEGES & SCHOOLS (Fall Terms)

| School / College | 2005 | 2004 | 2003 | 2002 | 2001 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| ARTS & SCIENCES | 8,629 | 7,925 | 7,603 | 7,410 | 7,016 |
| BUSINESS | 6,217 | 6,302 | 6,150 | 6,065 | 5,667 |
| COMMUNICATION | 1,786 | 1,858 | 1,850 | 1,780 | 1,932 |
| CRIMINOLOGY & CRIMINAL JUSTICE | 1,420 | 1,529 | 1,478 | 1,374 | 1,326 |
| EDUCATION | 3,261 | 2,998 | 2,870 | 3,005 | 3,048 |
| ENGINEERING | 1,701 | 1,652 | 1,622 | 1,481 | 1,314 |
| HUMAN SCIENCES | 3,125 | 2,887 | 2,460 | 2,167 | 1,799 |
| INFORMATION | 1,077 | 1,150 | 1,153 | 1,275 | 1,285 |
| LAW | 764 | 740 | 735 | 750 | 696 |
| MEDICINE | 229 | 177 | 115 | 69 | 30 |
| MOTION PICTURE, TV & RECORDING ARTS | 213 | 221 | 205 | 239 | 207 |
| MUSIC | 1,165 | 1,152 | 1,108 | 1,059 | 1,022 |
| NURSING | 961 | 1,027 | 946 | 802 | 666 |
| SOCIAL SCIENCES | 3,979 | 3,612 | 3,420 | 3,225 | 2,865 |
| SOCIAL WORK | 765 | 727 | 673 | 630 | 554 |
| THEATRE (combined) | — | 502 | 468 | 460 | 450 |
| VISUAL ARTS, THEATRE & DANCE | 1,712 | 1,206 | 1,147 | 1,104 | 1,057 |
| Undecided/Special | 2,648 | 3,221 | 3,325 | 3,788 | 4,528 |
| Total | 39,652 | 38,886 | 37,328 | 36,683 | 35,462 |

DEGREES AWARDED

| Degree | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|-----------------|--------------|--------------|--------------|--------------|--------------|
| BACHELOR'S | 6,938 | 6,856 | 6,578 | 6,335 | 5,912 |
| MASTER'S | 1,821 | 1,681 | 1,536 | 1,593 | 1,553 |
| SPECIALIST | 51 | 44 | 57 | 51 | 94 |
| JURIS DOCTORATE | 240 | 276 | 208 | 242 | 227 |
| DOCTORATE | 325 | 274 | 271 | 290 | 248 |
| M.D. | 36 | 27 | — | — | — |
| Total | 9,411 | 9,158 | 8,650 | 8,511 | 8,034 |

APPLIED & ENROLLED (Fall Term)



Above: The unblinking gaze of Francis Eppes VII, the grandson of President Thomas Jefferson, watches over young scholars in front of FSU's Westcott Building. Eppes, a successful plantation owner, was instrumental in securing funding for the Seminary West of the Suwannee, the earliest school of higher learning to be located on the site of what now is Florida State University.

At Right: From left, student body President Christopher Schoonover, football player Antonio Cromartie, President T.K. Wetherell and Panhellenic Association President Lauren Lowrey appear in a promotional photo for a Hurricane Katrina fundraising drive in August 2005. More than \$247,000 was raised for hurricane victims.

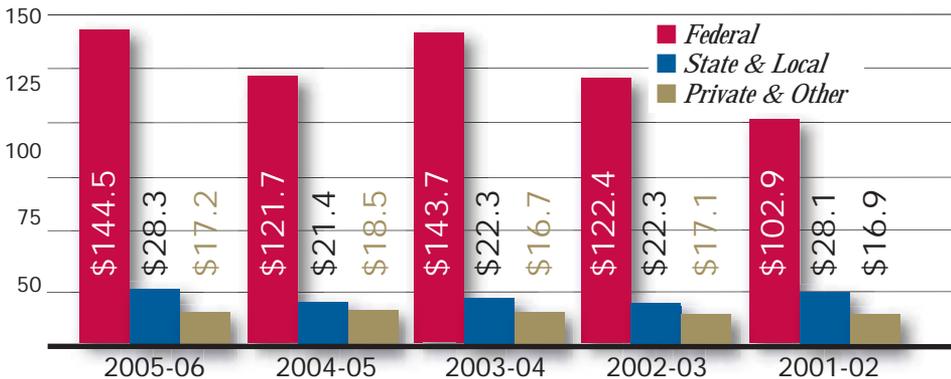
FACULTY

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

FACULTY DATA

| Academic Year | Full-Time Faculty | Part-Time Faculty | Tenured Faculty | Faculty with Terminal Degrees | Students/Faculty Ratio |
|---------------|-------------------|-------------------|-----------------|-------------------------------|------------------------|
| 2001-02 | 1,596 | 68 | 815 | 1,436 | 22:1 |
| 2002-03 | 1,695 | 56 | 830 | 1,559 | 23:1 |
| 2003-04 | 1,736 | 60 | 768 | 1,616 | 22:1 |
| 2004-05 | 1,794 | 87 | 745 | 1,651 | 22:1 |
| 2005-06 | 1,842 | 53 | 762 | 1,743 | 22:1 |

CONTRACTS & GRANTS AWARDS RECEIVED (in millions)

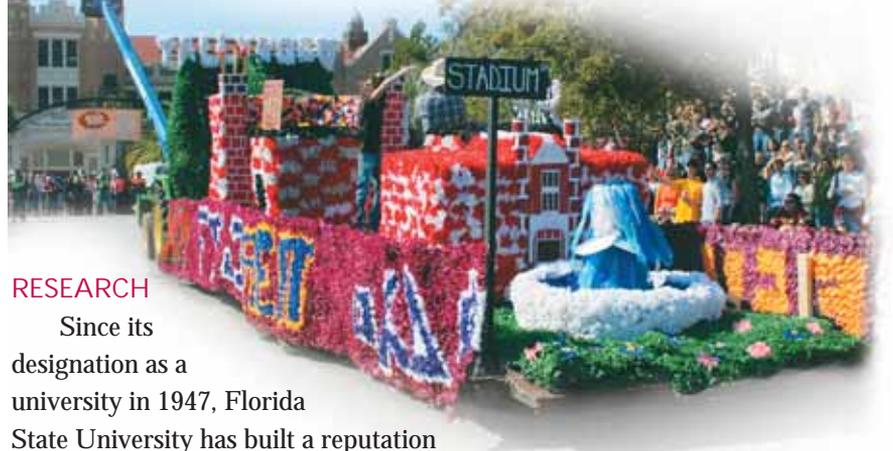


At the beginning of the fall semester, new FSU students attend the Freshman Convocation, an event designed to give them a focus on academic success during their college careers.

RESEARCH

Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In fiscal year 2005-2006, FSU faculty and administrators generated more than \$190 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.

FSU students past and present come to campus each November to participate in Homecoming festivities, which include cheering on dozens of floats created by FSU student organizations during the Homecoming Parade.



LIBRARIES

Florida State University's library system, which ranks among the nation's best research libraries, is made up of eight libraries and 15 subject-specific reading rooms. The libraries' total collection include more than 2.8 million volumes of books and periodicals; 800,000 government documents; 9,000 films, videos and DVDs; and 800,000 microforms. In addition, access to more than 300 subscription databases, 245,000 e-books and 29,000 electronic journals allows students, faculty and staff to do research from their offices or homes.

During the 2005-2006 fiscal year, 9,411 students realized their academic goals by receiving diplomas from Florida State University.



Biology Assistant Professor Hengli Tang's findings could bolster the development of anti-viral therapies for the treatment of hepatitis Type C. They also could lead to more-effective treatments for other types of viruses, such as West Nile and influenza.



FLORIDA STATE UNIVERSITY



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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, 2006, as shown on pages 14 through 33. 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 comprise 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, 2006, 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.

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

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 10 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

William O. Monroe, CPA

April 11, 2007

OVERVIEW

The following Management's Discussion and Analysis (MD&A) provides an overview of Florida State University's financial performance based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board principles and focus on the university as a whole. The MD&A, financial statements and notes 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. FSU's report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. While audited financial statements for the 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. Amounts reported in the condensed statements for 2004-05 have been restated to reflect a prior period adjustment. This adjustment is explained in Note 19 to the financial statements.

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 also are 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 to pay expenses of 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.

CONDENSED STATEMENT of NET ASSETS

(in thousands)

| | 2006 | 2005 |
|-----------------------------|--------------------|--------------------|
| Assets | | |
| Current Assets | \$ 567,279 | \$ 514,132 |
| Capital Assets, Net | 1,131,702 | 1,013,225 |
| Other Noncurrent Assets | <u>81,596</u> | <u>64,502</u> |
| Total Assets | 1,780,577 | 1,591,859 |
| Liabilities | | |
| Current Liabilities | 151,595 | 124,689 |
| Noncurrent Liabilities | <u>261,820</u> | <u>166,574</u> |
| Total Liabilities | 413,415 | 291,263 |
| Net Assets | | |
| Invested in Capital Assets, | | |
| Net of Related Debt | 974,695 | 887,752 |
| Restricted | 183,713 | 239,565 |
| Unrestricted | <u>208,754</u> | <u>173,279</u> |
| Total Net Assets | <u>\$1,367,162</u> | <u>\$1,300,596</u> |

Assets are what the university owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are categorized as either current or noncurrent.



Current assets generally are considered to be convertible to cash within one year.

Total assets of the university increased by \$188.7 million. Net capital assets improved during 2006 by \$118.5 million, primarily due to increases in buildings and construction in progress. Major projects completed during the year include:

MAJOR PROJECTS COMPLETED

(in millions)

| Project | Amount |
|----------------------------------|--------|
| Renovations | |
| William Johnston Building | \$ 7.3 |
| Landis Hall Dormitory | 18.3 |
| Asolo Theater | 12.6 |
| Ringling Art Museum | 11.0 |
| New Construction | |
| Medical School Research Building | 14.3 |
| Ringling Tibbals Learning Center | 1.7 |
| West Dining Facility | 1.8 |
| Parking Garage No. 3 | 15.2 |
| Ringling Chiller Plant | 5.4 |

Liabilities are what the university owes to others or what it has collected from others before it has provided the related services. Liabilities also are categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable within the next year.

FSU's College of Medicine, established in 2001, is helping meet the health-care needs of Florida's communities. More than half of the college's 2006 graduating class were scheduled to begin residency training in Florida.



LIABILITIES (by percent)

1.2% Other Liabilities

18.8% Deferred Revenues

66.2% Long-Term Obligations



13.8% Payables and Accrued Liabilities

As of June 30, 2006, total liabilities were \$413.4 million, compared to \$291.3 million at the end of the prior fiscal year. Bonded debt increased by \$94.1 million to construct and renovate housing, parking, academic and other facilities.

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 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 required to be invested in perpetuity. Restricted expendable net assets include amounts committed for such things as debt service, student loans and capital projects.
- Unrestricted net assets include amounts institutionally designated

or committed to support specific academic and research programs,

construction projects, and unrestricted funds functioning as endowments. A significant portion of these funds have been designated for contractually committed goods and

services that have not yet been received, capital projects in various stages of planning and completion, and for normal working capital balances maintained for departmental and auxiliary enterprise activities.

As of June 30, 2006, net assets were \$1.36 billion, up 5.1 percent from the previous year. The largest increase was in invested in capital assets, net of related debt, which grew by \$86.9 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 either as operating or nonoperating.

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

(in thousands)

| | 2005-06 | 2004-05 |
|--|--------------|--------------|
| Operating Revenues | \$ 402,115 | \$ 400,006 |
| Operating Expenses | (768,324) | (731,272) |
| Operating Loss | (366,209) | (331,266) |
| Net Non operating Revenues | 398,147 | 375,989 |
| Income Before Other Revenues, Expenses, Gains, or Losses | 31,938 | 44,723 |
| Net Other Revenues | 34,628 | 63,921 |
| Net Increase in Net Assets | 66,566 | 108,644 |
| Net Assets, Beginning of Year | 1,308,677 | 1,191,952 |
| Adjustments to Beginning Net Assets | (8,081) | |
| Net Assets, Beginning of Year as restated | \$ 1,300,596 | \$ 1,191,952 |
| Net Assets, End of Year | \$ 1,367,162 | \$ 1,300,596 |

NET ASSETS (by percent)

4.8% Restricted - Debt Service and Other

15.3% Unrestricted

71.3% Invested in Capital Assets, Net or Related Debt



7.2% Restricted - Capital Projects

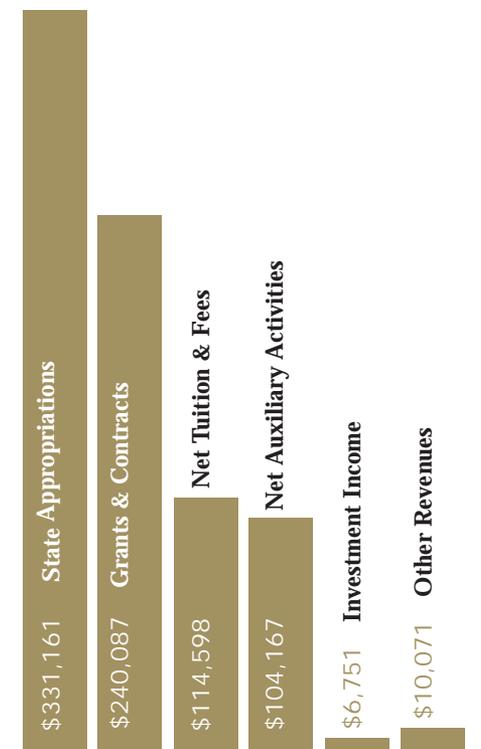
1.4% Restricted Loans



The New Student Convocation, held in August 2005, included the historic Torch Ceremony, during which upper-class FSU students symbolically "passed the torch" to members of the first-year class.

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 the Government Accounting Standards Board to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets.

REVENUES USED to FUND the UNIVERSITY'S OPERATING ACTIVITIES (in thousands)



Operating revenues decreased by 0.5 percent for the fiscal year ending June 30, 2006. Gross student tuition and fee revenues increased \$4.5 million, and scholarship allowances that reduce tuition and fee revenue increased by \$6.1 million. Operating grants and contracts revenue decreased by 4 percent, which was mainly driven by a 10.2-percent decrease in federal grants and contracts revenue.

| Amount (in thousands) | Function |
|-----------------------|-----------------------|
| \$ 222,950 | Instruction |
| \$ 119,840 | Auxiliary Services |
| \$ 106,096 | Research |
| \$ 56,290 | Institutional Support |
| \$ 54,600 | Depreciation |
| \$ 52,936 | Scholarships |
| \$ 41,939 | Public Service |
| \$ 44,935 | Operations of Plant |
| \$ 42,023 | Academic Support |
| \$ 26,477 | Student Services |
| \$ 238 | Loan Operations |

OPERATING EXPENSES by FUNCTION (in thousands)

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, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the university. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show 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. Cash flows from noncapital financing activities are those not covered in other sections.

Operating expenses increased \$37.1 million for the year. Expenses for compensation and employee benefits were up \$21.4 million; services and supplies were up \$20.6 million; and scholarship expenses decreased by \$6.8 million.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the university's financial results by

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2006, the university had \$1.1 billion invested in capital assets, net of accumulated depreciation

CONDENSED STATEMENT of CASH FLOWS (in thousands)

| | 2005-06 | 2004-05 |
|--|--------------|--------------|
| Cash Provided (Used) By: | | |
| Operating Activities | \$ (294,686) | \$ (278,393) |
| Noncapital Financing Activities | 388,854 | 379,409 |
| Capital and Related Financing Activities | (51,527) | (121,716) |
| Investing Activities | (32,308) | (54,074) |
| Net Increase (Decrease) in Cash & Cash Equivalents | 10,333 | (74,774) |
| Cash and Cash Equivalents, Beginning of Year | 9,942 | 84,716 |
| Cash and Cash Equivalents, End of Year | \$ 20,275 | \$ 9,942 |

For many years, Tallahassee developer DeVoe Moore has been a generous supporter of FSU academic and athletic programs. But he topped himself in September 2005 when he agreed to donate \$25 million toward the university's athletic scholarship endowment and its general scholarship fund. The gift is expected to double in value with state matching funds. Moore and his wife, Shirley, are shown here in their Tallahassee Antique Car Museum.



of \$503.7 million. Depreciation expense totaled \$54.6 million for the 2005-2006 fiscal year. Major capital expenses for the year included a new chemistry building (\$11 million), a new classroom building (\$12.8 million), the Wildwood Hall dormitory (\$20.8 million), the new Psychology Center (\$13.6 million), and the new DeGraff Hall dormitory (\$13.8 million). The following table summarizes the university's major construction commitments greater than \$3 million remaining as of June 30, 2006:

MAJOR CONSTRUCTION COMMITMENTS GREATER THAN \$3 MILLION (in thousands)

| Project Name | Total Commitments | Completed to Date | Balance Committed |
|---|-------------------|-------------------|-------------------|
| Psychology Center | \$ 34,553 | \$ 20,761 | \$ 13,792 |
| DeGraff Hall | 36,296 | 13,833 | 22,463 |
| Chemistry Building | 36,567 | 14,132 | 22,435 |
| Marine Science Research & Training | 10,750 | 939 | 9,811 |
| Parking Garage No. 4 | 12,780 | 7,235 | 5,545 |
| Life Sciences Teaching & Research | 42,899 | 4,576 | 38,323 |
| Maintenance/Repairs/Renovations/Remodeling | 5,132 | 843 | 4,289 |
| Wildwood Halls | 36,915 | 21,377 | 15,538 |
| New Classroom Building | 22,624 | 12,782 | 9,842 |
| Ringling Conservation/Curatorial – Sarasota | 13,084 | 9,619 | 3,465 |
| Panama City Administrative Services Center | 7,436 | 1,080 | 6,356 |
| National High Magnetic Field Laboratory | 7,500 | 3,053 | 4,447 |
| Panama City Academic Building | 18,364 | 372 | 17,992 |
| Satellite Chilled Water Plant II | 8,661 | 296 | 8,365 |
| Human Performance Lab & Track Facility | 5,454 | 0 | 5,454 |
| Student Affairs Facility | 12,882 | 0 | 12,882 |
| Intramural Field Complex | 10,386 | 336 | 10,050 |
| TOTAL | \$ 322,283 | \$ 111,234 | \$ 211,049 |

As of June 30, 2006, the university had \$228.5 million of outstanding bonds, compared to \$134.4 million on June 30, 2005. During the fall 2005 semester, the university issued \$71.3 million of Housing Facility revenue bonds to build a new residence hall consisting of approximately 690 beds, to demolish DeGraff Hall

and construct two new dormitories consisting of approximately 600 beds, and to refund the Series 1996 bonds. Also, the university issued \$11.3 million in Parking Facility revenue bonds to construct a five-level parking garage (Garage No. 4) containing approximately 1,000 parking spaces.

ECONOMIC OUTLOOK

Florida State University has a strong reputation for operational efficiency as well as academic excellence. While the state continues to demonstrate strong financial support

Tuition rates for the 2006-2007 fiscal year increased for in-state undergraduate and graduate students by 3 percent. However, the university's low tuition levels continue to attract top students. And the "Pathways of Excellence" initiative, designed to target and hire top faculty members who are leaders in their respective fields, will bring significant added value to the university's world-class research groups and centers and is expected to increase the number of Ph.D. graduates. The "FSU CONNECT" fundraising campaign raised \$630 million — surpassing its \$600-million goal — between July 1, 2000, and Dec. 31, 2005.

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 solid support from the state, relatively low tuition levels, ability to attract new research funding and outstanding fundraising capabilities are among the factors indicating a bright future for the university.

for higher education in Florida, it has not been enough to keep pace with the growth of the university. Therefore, the university must rely more heavily on other revenue streams to maintain its quality programs.



At left: Work progressed on a new Psychology Building adjacent to the College of Medicine during the 2005-2006 fiscal year. At right, construction on a new, \$20.5-million, all-classroom building, located on the site of the old Stults Pool near the center of campus, neared completion in late 2006.



STATEMENT OF NET ASSETS

as of June 30, 2006
(in thousands)

| ASSETS: | University | Component Units |
|--|---------------------|-------------------|
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 9,143 | \$ 32,930 |
| Investments (Note 3) | 325,887 | 87,110 |
| Accounts receivable, net (Note 4) | 36,555 | 39,747 |
| Due from state (Note 5) | 179,715 | — |
| Due from component units/university (Note 6) | 6,115 | 4,816 |
| Inventories (Note 7) | 2,920 | 164 |
| Loans and notes receivable, net (Note 4) | 5,331 | — |
| Other current assets | 1,613 | 683 |
| Total current assets | 567,279 | 165,450 |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents (Note 2) | 11,132 | 57 |
| Restricted investments (Note 3) | 59,330 | 495,007 |
| Loans and notes receivable, net (Note 4) | 9,087 | 329 |
| Capital assets, net (Note 8) | 1,131,702 | 171,791 |
| Other assets | 2,047 | 89,448 |
| Total noncurrent assets | 1,213,298 | 756,632 |
| Total assets | \$ 1,780,577 | \$ 922,082 |
| LIABILITIES: | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 57,079 | \$ 35,000 |
| Due to other state universities | 63 | — |
| Due to state | 706 | — |
| Due to component units/university (Note 6) | 3,797 | 8,535 |
| Deferred revenue (Note 9) | 77,862 | 19,228 |
| Long-term liabilities, current portion (Note 10) | 11,597 | 3,408 |
| Other current liabilities | 491 | 3,023 |
| Total current liabilities | 151,595 | 69,194 |
| Noncurrent Liabilities | | |
| Bonds payable | 221,857 | 91,334 |
| Loans and notes payable | — | 17,619 |
| Installment purchase notes payable | 240 | — |
| Capital leases payable | — | 20,745 |
| Compensated absences payable | 39,723 | 769 |
| Other noncurrent liabilities | 0 | 16,924 |
| Total noncurrent liabilities | 261,820 | 147,391 |
| Total liabilities | \$ 413,415 | \$ 216,585 |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | \$ 974,695 | \$ 37,751 |
| Restricted for nonexpendable: | | |
| Endowment | — | 353,864 |
| Restricted for expendable: | | |
| Debt service | 1,261 | 855 |
| Loans | 18,869 | — |
| Capital projects | 98,968 | — |
| Other restricted net assets | 64,615 | 169,869 |
| Unrestricted | 208,754 | 143,158 |
| Total net assets | \$ 1,367,162 | \$ 705,497 |

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

STATEMENT of REVENUES, EXPENSES & CHANGES in NET ASSETS

For Fiscal Year Ended
June 30, 2006
(in thousands)

| | University | Component Units |
|--|---------------------|-------------------|
| OPERATING REVENUES: | | |
| Student tuition and fees | | |
| (\$5,993 pledged for Parking Facilities' Revenue Bonds) | \$ 200,282 | \$ — |
| Less: tuition scholarship allowances | (85,684) | — |
| Net student tuition and fees | 114,598 | — |
| Federal grants and contracts | 123,996 | — |
| State and local grants and contracts | 24,883 | — |
| Nongovernmental grants and contracts | 24,400 | — |
| Sales and services of educational departments | 1,434 | — |
| Sales and services of auxiliary enterprises | 104,167 | — |
| (\$2,618 pledged for the Parking Facilities' Revenue Bonds; \$19,435 pledged for the Housing Facilities' Revenue Bonds) | | |
| Sales and services of component units | — | 21,163 |
| Royalties and licensing fees | — | 11,024 |
| Gifts and donations | — | 46,535 |
| Interest on loans and notes receivable | 204 | — |
| Other operating revenue | 8,433 | 33,297 |
| Total operating revenues | 402,115 | 112,019 |
| OPERATING EXPENSES: | | |
| Personal services | 465,029 | 21,848 |
| Services and supplies | 152,480 | 69,778 |
| Utilities | 43,279 | 599 |
| Scholarships and fellowships | 52,936 | — |
| Depreciation | 54,600 | 5,945 |
| Total operating expenses | 768,324 | 98,170 |
| Operating income (loss) | (366,209) | 13,849 |
| NON OPERATING REVENUES (EXPENSES): | | |
| State appropriations | 331,161 | — |
| Noncapital grants, contracts and donations | 66,808 | — |
| Investment income | 14,678 | 44,722 |
| Unrealized gains and losses on investments | (7,927) | 385 |
| Investment expenses | — | (361) |
| Other nonoperating revenue | 5,147 | 60 |
| Loss on disposal of capital assets | (694) | — |
| Interest on capital asset—related debt | (4,563) | (4,983) |
| Other nonoperating expenses | (6,463) | (424) |
| Net nonoperating revenues | 398,147 | 39,399 |
| Income before other revenues, expenses, gains or losses | 31,938 | 53,248 |
| Additions to permanent endowments | — | 4,799 |
| Capital appropriations | 29,464 | — |
| Capital grants, contracts and donations | 5,164 | 2,335 |
| Increase in net assets | 66,566 | 60,382 |
| Net assets, beginning of year | 1,308,677 | 645,115 |
| Adjustments to beginning net assets | (8,081) | — |
| Net assets, beginning of the year, as restated | 1,300,596 | 645,115 |
| Net assets, end of year | \$ 1,367,162 | \$ 705,197 |

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

STATEMENT of CASH FLOWS

For Fiscal Year Ended June 30, 2006
(in thousands)

| | University |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees, net | \$ 114,772 |
| Grants and contracts | 178,324 |
| Sale and services of educational departments | 1,407 |
| Sale and services of auxiliary enterprises | 102,308 |
| Interest on loans and notes receivable | 204 |
| Other operating receipts | 12,272 |
| Payments to employees | (458,516) |
| Payments to suppliers for goods and services | (193,037) |
| Payments to students for scholarships and fellowships | (52,936) |
| Net loans issued to students | 516 |
| Net cash used by operating activities | (294,686) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State appropriations | 331,161 |
| Noncapital grants, contracts, donations | 66,808 |
| Operating subsidies and transfers | 132 |
| Funds held for others | (10,743) |
| Other nonoperating receipts | 1,503 |
| Other nonoperating expenses | (7) |
| Net cash provided by noncapital financing activities | 388,854 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from capital debt obligations | 99,372 |
| Capital appropriations | 47,977 |
| Capital grants and contracts | 4,173 |
| Capital subsidies and transfers | (27,223) |
| Other receipts for capital projects | 3,645 |
| Purchase of capital assets | (164,155) |
| Principal paid on capital debt | (6,017) |
| Interest paid on asset related debt | (9,299) |
| Net cash used by capital and related financing activities | (51,527) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments, net | (46,813) |
| Investment income | 14,505 |
| Net cash used by investing activities | (32,308) |
| Net change in cash and cash equivalents | 10,333 |
| Cash and cash equivalents, beginning of year | 9,942 |
| Cash and cash equivalents, end of year | \$ 20,275 |
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating loss | \$ (366,209) |
| Depreciation expense | 54,600 |
| Change in assets and liabilities: | |
| Accounts receivable, net | (1,814) |
| Contracts and grants receivable, net | 5,045 |
| Inventories | (553) |
| Loans and notes receivable, net | 622 |
| Deferred charges and other assets | 973 |
| Accounts payable | 2,195 |
| Salaries and wages payable | 3,588 |
| Compensated absences payable | 2,925 |
| Deferred revenues | 3,942 |
| Net cash used in operations | \$ (294,686) |

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

Note

1 Summary of Significant Accounting Policies

Reporting Entity

Florida State University is a separate public instrumentality that is part of the State University System of public universities and is directly governed by a Board of Trustees (trustees) consisting of 13 members. The governor of the state of Florida appoints six citizen members and the state's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the Faculty Senate and the president of the student body of the university also are members.

The state Board of Governors establishes the powers and duties of the trustees of public universities in Florida.

The trustees are responsible for setting policies for the university, which provide governance in accordance with Florida law and Board of Governors rules. The trustees select the university president, and the Board of Governors ratifies the candidate selected. The university president serves as the executive officer and the corporate secretary of the trustees and is responsible for administering the policies prescribed by the trustees for the university.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's "Codification of Governmental Accounting and Financial Reporting Standards," Sections 2100 and 2600. 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 its financial activity is reported in the state's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units

Based on the application of the criteria for determining component units, the following organizations are included within the university reporting entity as discretely presented component units. Except for the Florida State University Schools Inc., the university further categorizes its identified component units as direct-support organizations. Additional condensed financial statements for the university's component units are shown in a subsequent note.

Direct-Support Organizations and Other Component Units

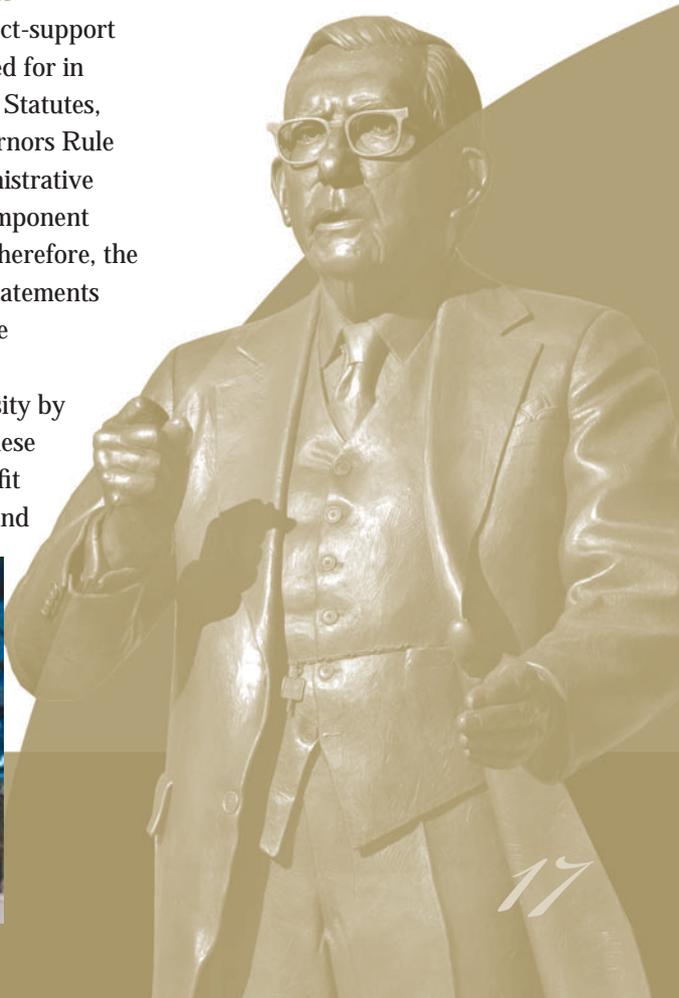
The university's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and state Board of Governors Rule 6C-9.011, Florida Administrative Code, are considered component units of the university. Therefore, the latest audited financial statements of these organizations are included in the financial statements of the university by discrete presentation. These are separate, not-for-profit corporations organized and

operated exclusively to assist the university in achieving excellence by providing supplemental resources from private gifts and bequests, as well as valuable education support services. The statute authorizes these organizations to receive, hold, invest and administer property and to pay expenses to or for the benefit of the university. These not-for-profit corporations and their purposes are explained as follows:

- *The Florida State University Foundation Inc.* — The university's fundraising 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 expenses include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the foundation's development program.



Gregory S. Boebinger, director of FSU's National High Magnetic Field Laboratory, unveiled a new, world-record magnet at the lab in July 2005. The spectacularly precise magnet, which stands 16 feet tall and weighs more than 15 tons, is expected to yield important discoveries in the fields of chemical and biomedical research.



- *Seminole Boosters Inc.* — The primary purpose of the Boosters is to stimulate and promote the education, health and physical welfare of university students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association.
- *Florida State University International Programs Association Inc.* — The purpose of the International Programs Association is to promote intercultural activities among students, educators and others. It provides teaching, studying, research and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University study-abroad programs in London, Florence, Costa Rica and other sites.
- *Florida State University Alumni Association Inc.* — The Alumni Association serves as a connecting link between alumni and the university. The nature and purpose of the association is to aid, strengthen and expand the university and its alumni. The Alumni Association utilizes private gifts, devises, other contributions and advertising income to publish and exchange information with university alumni to assist the university's development programs, and to provide public and community service.
- *Florida State University 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 it to help service the bond debt.
- *Florida State University Research Foundation Inc.* — 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.

- *The John and Mable Ringling Museum of Art Foundation Inc.* — The purpose of the museum foundation 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.
- *Florida State University Schools Inc.* (not a direct-support organization) — The Developmental Research School became a charter school in 2000 in compliance with Section 1002.33, (5) (a), Florida Statutes. The school provides a setting in which 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.

An annual audit of each organization's financial statements is conducted by independent Certified Public Accountants. The annual report is submitted to the Florida Auditor General and the university's Board of Trustees. Additional information on the university's component units, including copies of audit reports, is available by contacting the university Controller's Office. Condensed financial statements are shown in a subsequent note.

Mart Hill, a Florida State College for Women alumna, displays a photo from her college days that she donated to the university's Heritage Protocol initiative to assist in the preservation of the heritage of Florida State University and its predecessor institutions.

Basis of Presentation

The university's accounting policies conform with accounting principles generally accepted in the United States that are 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). GASB allows public universities various reporting options. The university has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide 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 (presented using the direct method in compliance with GASB Statement No. 9)
- 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,



FLORIDA STATE
UNIVERSITY

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 generally are recognized when all applicable eligibility requirements, including time requirements, are met.

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

The university follows FASB statements and interpretations issued after Nov. 30, 1989, unless those pronouncement conflict with GASB pronouncements.

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

The university's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities, as well as administration, operation, and maintenance of plant assets and depreciation on capital assets. Nonoperating revenues include state appropriations, federal and state financial aid, investment income and capital asset funding. Interest on capital asset-related debt is a nonoperating expense.

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

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

Capital Assets

University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, library resources, works of art and historical treasures, construction in progress, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of state surplus property. Additions,

improvements and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The university has a capitalization threshold of \$1,000 for all tangible personal property and \$100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the estimated useful lives as follows:

- Buildings — 10 to 50 years
- Infrastructure and Other Improvements — 12 to 50 years
- Furniture and Equipment — 3 to 20 years
- Software — 5 years
- Library Resources — 10 years

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, loans and notes payable, installment purchases payable, and compensated absences payable and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized



Stacks of belongings sitting outside of FSU's residence halls have been a regular sight for decades. At Gilchrist Hall, shown here, and 15 other residence halls around campus, new students typically begin the moving-in process a week before the start of classes each semester.

premium or discount and deferred losses on refundings. The university amortizes bond premiums and discounts over the life of the bonds using the straight-line method. 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.

Note 2 Cash and Cash Equivalents

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

Note 3 Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(17), Florida Statutes, the university is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered

by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the U.S. Treasury and Securities and Exchange Commission-registered money-market funds with the highest credit quality rating from a nationally recognized rating agency. The University's Board has not adopted a written investment policy.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. The university's investments as of June 30, 2006, are reported at fair value as follows:

| Investment Type | University |
|--|-----------------------|
| External Investment Pools: | |
| State Treasury | \$ 384,062,627 |
| Investments in State Board of Administration Debt Service Accounts | 1,154,086 |
| Total University Investments | \$ 385,216,713 |

University External Investment Pools

The university had investments totaling \$384,062,627 as of June 30, 2006, in the State Treasury Special Purpose Investment Account investment pool representing ownership of a share of the pool, not the underlying securities. The university's investments in the pool are reported at fair value. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The Special Purpose Investment Account

carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.72 years as of June 30, 2006. The university relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the state's Comprehensive Annual Financial Report.

University State Board of Administration Debt Service Accounts

The university reported investments in the State Board of Administration's debt service accounts totaling \$1,154,086 as of June 30, 2006. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the university. The university's investments consist of U.S. Treasury securities, with maturity dates of six months or less, and are reported at fair value. The university relies on policies developed by the State Board of Administration for managing interest rate or credit risk for this account. Disclosures for the debt service accounts are included in the notes to the financial statements of the state's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the university's component units as of June 30, 2006, are reported at fair value as shown below:

| Investment Type | Florida State University Foundation Inc. | Seminole Boosters, Inc. | Florida State University Research Foundation Inc. |
|--|--|-------------------------|---|
| External Investment Pools - SBA- LGSF | \$ 28,116,610 | \$ — | \$ 55,056,030 |
| External Investment Pools - SBA- CAMP | — | — | 71,386,041 |
| Stocks and Other Equity Securities | 270,146,482 | 30,306,144 | — |
| U.S. Government Obligations | 51,403,854 | — | — |
| Bonds and Notes | 19,972,850 | — | — |
| Real Estate Contracts | 169,860 | 515,025 | — |
| Money Market and Mutual Funds | 11,511,018 | — | — |
| Investment Agreements | 38,877,132 | — | — |
| Total Component Units Investments | \$ 420,197,806 | \$ 30,821,169 | \$ 126,442,701 |



External Investment Pools

Local Government Surplus Funds Trust Fund

The Florida State University Research Foundation Inc. and the Florida State University Foundation Inc. reported investments at fair value totaling \$55,056,030 and \$28,116,610, respectively, on June 30, 2006, in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration pursuant to Section 218.405, Florida Statutes. These investments in the trust fund, a Securities and Exchange Commission Rule 2a-7-like external investment pool, are similar to money-market funds in which shares are owned in the fund rather than the actual underlying investments. The State Board Administration has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not ranked by a nationally recognized statistical rating agency as of June 30, 2006.

Commingled Asset Management Program (CAMP)

The Florida State University Research Foundation Inc. reported investments at fair value totaling \$71,386,041 on June 30, 2006, in the CAMP administered by the State Board of Administration. All securities purchased are consistent with Section 215.47, Florida Statutes, and may be loaned to qualified borrowers in accordance with Florida statutes. These funds are invested in the CAMP Fixed Income Index Pool and the CAMP Domestic Equity Index Pool.

The Research Foundation adopted an investment policy on Sept. 6, 2005, and amended it on Feb. 13, 2006. Its investment policy authorizes investment in highly diversified index funds that utilize futures, options and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risk for this account. The State Board of Administration has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration-of-credit risk or foreign currency risk. These investments are unrated for credit risk for the 2005-2006 fiscal year.

Recognition of Impairment on Stock Investment

The Research Foundation owns convertible preferred stock with a cost of \$7,500,600 in a privately owned company, which is not listed on an exchange and, therefore, has no readily available market quotation. The company is an early stage biotechnology firm and is difficult to value. Research Foundation management believes that the company's inability to provide sufficient evidence to support the valuation of its shares combined with other evidence regarding the nature and operations of the company indicates that an impairment to the Research Foundation's investment that is other than temporary has occurred. The Research Foundation has recorded an impairment allowance as of June 30, 2006, that reduced investments and investment income by \$7,500,600. This action will be reevaluated if and when the company is able to provide independent verification or reliable evidence of the market valuation of its shares. The Research Foundation is holding 50,000 shares of common stock on behalf of the university. No carrying amount has been assigned to the stock; therefore, a related payable to the university for the shares has not been recorded.

Other Investments

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value on an investment. The John and Mable Ringling Museum of Art Foundation Inc.'s investment policy limits endowment investments to U.S. government securities with maturities not to exceed one year and operating fund investments to commercial paper, repurchase agreements, certificates of deposit, money-market funds, and U.S. Treasury Bills that have maturities of no longer than one year. The Florida State University Schools Inc. does not have a written investment policy on interest rate risk. Investments of the component units in debt securities, and money-market and mutual funds, and their future maturities on June 30, 2006, are as follows:

| John and Mable Ringling Museum of Art Foundation Inc. | Florida State University Schools Inc. | TOTAL |
|---|---------------------------------------|----------------|
| \$ — | \$ — | \$ 83,172,640 |
| — | — | 71,386,041 |
| — | — | 300,452,626 |
| 147,032 | 1,294,580 | 52,845,466 |
| 96,021 | — | 20,068,871 |
| — | — | 684,885 |
| 373,728 | — | 11,884,746 |
| — | 2,745,046 | 41,622,178 |
| \$ 616,781 | \$ 4,039,626 | \$ 582,117,453 |

FSU's vice president for Research, Kirby Kemper, announces a unique collaboration between the university and Wakulla Springs State Park in June 2005. Working with park officials, engineers from FSU's Center for Advanced Power Systems designed a new, environmentally sensitive propulsion system for the tour boat "Alligator." Gone is the noisy, vibrating gas engine that formerly drove the Alligator; in its place is an all-electric DC motor that promises a more peaceful and tranquil experience for humans and wildlife alike.



| Investment Type | Investments Maturities (in years) | | | |
|---|-----------------------------------|--------------|-------------------|-------------------|
| | Fair Value | Daily | 1 | 1-5 |
| John and Mable Ringling Museum of Art Foundation Inc. | | | | |
| U.S. Government Obligations | \$ 147,032 | — | \$ 24,797 | \$ 122,235 |
| Bonds and Notes | 96,021 | — | — | 96,021 |
| Mutual Funds | 373,728 | — | 373,728 | — |
| Total | 616,781 | — | \$ 398,525 | \$ 218,256 |
| Florida State University Schools Inc. | | | | |
| U.S. Government Obligations | \$ 1,294,580 | \$ 1,294,580 | — | — |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The John and Mable Ringling Museum of Art Foundation Inc.'s investment policy provides that investments in commercial paper be rated A-1 by Standard and Poor's or or P-1 by Moody's rating classification and that other investments should not have speculative characteristics. On June 30, 2006, component units bonds and notes, and money-market and mutual funds, credit quality rating by nationally recognized rating agencies are as follows:

| Investment Type | Fair Value | A-1/P-1 | Not Rated |
|---|----------------|------------------|-------------------|
| John and Mable Ringling Museum of Art Foundation Inc. | | | |
| Bonds and Notes | 96,021 | 96,021 | |
| Money Market and Mutual Funds | 373,728 | | 373,728 |
| Total | 469,749 | \$ 96,021 | \$ 373,728 |

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. Neither the John and Mable Ringling Museum

of Art Foundation Inc. nor the Florida State University Schools Inc. has a written investment policy on custodial credit risk.

Concentration-of-Credit Risk: Concentration-of-credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The John and Mable Ringling Museum of Art Foundation Inc. policy provides that the maximum amount that may be invested in the securities of an individual issuer other than the U.S. government and its agencies shall not exceed 5 percent of the market value of the portfolio. The Florida State University Schools Inc. does not have a written investment policy on concentration-of-credit risk.

Note 4 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 accrued interest from investments. These receivables are reported net of the allowance for uncollectible accounts as shown below:

| Description | Amount |
|---|----------------------|
| Student Tuition and Fees | \$ 7,029,900 |
| Contracts and Grants | 22,346,367 |
| Sales and Services of Educational Departments | 47,850 |
| Sales and Services of Auxiliary Enterprises | 5,100,604 |
| Interest | 1,306,864 |
| Other | 723,165 |
| Total Accounts Receivable, Net | \$ 36,554,750 |

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, 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, loans and notes receivable are reported net of allowances of \$2,683,265 and \$1,385,448, respectively, as of June 30, 2006.

Note 5 Due from State
 This is the amount of Public Education Capital Outlay (PECO) funds, Alex P. Courtelis Capital Facilities Matching Trust Fund allocations and auxiliary revenue bond proceeds due to the university for construction of university facilities.

Note

6 Due from/to Component Units/ University

The university's financial statements are reported for the fiscal year ended June 30, 2006. The university's component units' financial statements are reported for their most recent fiscal year in which an audit report is available. Some component units have a fiscal year-end other than June 30, 2006. 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 the university.

Note

7 Inventories

Inventories have been categorized into the following two types:

- Departmental Inventories — Those inventories maintained by departments and not available for resale. Departmental inventories comprise such items as classroom and laboratory supplies, teaching materials and office supply items that are consumed in the teaching and work process. These inventories normally are expensed when purchased and therefore are not reported on the Statement of Net Assets.
- Merchandise Inventory — Those inventories maintained that are available for resale to individuals and other university departments, and are not expensed at the time of purchase. These inventories are reported on the Statement of Net Assets and are valued at cost using either the moving average method or the first-in, first-out method.

Capital assets activity for the fiscal year ended

A new tradition was begun at FSU in January 2006 with the unveiling of the Lawton Memorial on Landis Green. The stone obelisk commemorates the legacy of former Provost and Vice President for Academic Affairs Robert O. Lawton and the recipients of the distinguished-faculty award that bears his name. Shown with the obelisk are 1998-1999 Robert O. Lawton Distinguished Professor Myles Hollander and his wife, Glee.

Note

8 Capital Assets

June 30, 2006, is shown below:

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$ 43,253,390 | \$ 352,475 | \$ — | \$ 43,605,865 |
| Construction in Progress | 70,776,430 | 152,168,631 | 104,094,948 | 118,850,113 |
| Works of Art and Historical Treasures | 72,642,391 | 10,416 | 1,382 | \$72,651,425 |
| Total Nondepreciable Capital Assets | \$ 186,672,211 | \$ 152,531,522 | \$ 104,096,330 | \$ 235,107,403 |
| Depreciable Capital Assets: | | | | |
| Buildings | \$ 812,374,408 | \$ 90,654,724 | \$ — | \$ 903,029,132 |
| Infrastructure and Other Improvements | 97,884,763 | 5,922,764 | — | 103,807,527 |
| Furniture and Equipment | 267,822,407 | 21,790,499 | 12,654,588 | 276,958,318 |
| Library Resources | 82,103,326 | 6,427,837 | 279,545 | 88,251,618 |
| Software and Other Capital Assets | 27,796,950 | 538,923 | 55,477 | 28,280,396 |
| Total Depreciable Capital Assets | 1,287,981,854 | 125,334,747 | 12,989,610 | 1,400,326,991 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 197,987,318 | 17,527,794 | — | 215,515,112 |
| Infrastructure and Other Improvements | 24,185,874 | 3,579,919 | — | 27,765,793 |
| Furniture and Equipment | 179,560,118 | 22,753,357 | 11,948,105 | 190,365,370 |
| Library Resources | 52,838,276 | 5,518,368 | 279,545 | 58,077,099 |
| Software and Other Capital Assets | 6,856,995 | 5,206,955 | 54,977 | 12,008,973 |
| Total Accumulated Depreciation | 461,428,581 | 54,586,393 | 12,282,627 | 503,732,347 |
| Total Depreciable Capital Assets, Net | \$ 826,553,273 | \$ 70,748,354 | \$ 706,983 | \$ 896,594,644 |



For international students attending FSU, one of the biggest obstacles to success is a lack of fluency in the English language. To help address the problem, the university's Center for Intensive English Studies offers one-on-one tutoring and other resources to 50 students per semester.



Note

9
Deferred Revenues

Deferred revenues include Public Education Capital Outlay appropriations for which the university had not yet received approval to spend funds from the Florida Department of Education as of June 30, 2006, and amounts received from contracts, grants and student fees prior to the end of the fiscal year, but related to subsequent accounting periods. As of June 30, 2006, the university reported the following amounts as deferred revenues as seen at right:

| Description | Amount |
|--------------------------------|----------------------|
| Capital Appropriations | \$ 56,763,000 |
| Sponsored Research | 3,739,756 |
| Housing Fees | 5,346,919 |
| Athletic Revenues | 12,012,499 |
| Total Deferred Revenues | \$ 77,862,174 |

Note

10
Long-Term Liabilities

Long-term liabilities of the university as of June 30, 2006, include bonds payable, loans and notes payable, installment purchases payable and compensated absences payable. Long-term liabilities activity for the fiscal year ended June 30, 2006, is shown below:

| Description | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|----------------------|
| Bonds Payable | \$ 134,416,387 | \$ 115,056,454 | \$ (20,955,585) | \$ 228,517,256 | \$ 6,660,409 |
| Installment Purchases | 2,988,861 | 459,376 | (2,697,454) | 750,783 | 510,261 |
| Loans and Notes Payable | 1,509,962 | — | (1,294,678) | 215,284 | 215,284 |
| Compensated Absences | 41,009,594 | 2,925,386 | — | 43,934,980 | 4,212,232 |
| Other | 266,460 | — | (266,460) | — | — |
| Total Long-Term Liabilities | \$ 180,191,264 | \$ 118,441,216 | \$ (25,214,177) | \$ 273,418,303 | \$ 11,598,186 |

Bonds Payable

The university issued bonds to construct university facilities, including parking garages, student housing, and academic and student service facilities. Outstanding bonds, 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. Building and capital improvement fees, collected as part of tuition and remitted to the State Board of Education, are used to retire the revenue certificates of the academic and student service facilities. 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 Oct. 20, 2005, the State Board of Education issued \$28,290,000 of University System Improvement Revenue Bonds, Series 2005A, with interest rates ranging from 3.625 percent to 4.125 percent. The university's portion of the proceeds (3,947,642) were used to defease \$3,723,677 of outstanding University System Improvement Revenue Bonds, Series 1997. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result of the refunding, the university reduced its debt service by \$405,992 over the next 17 years and obtained an economic gain of \$297,989. The trust assets and the liability for the defeased bonds are not included in the university's Statement of Net Assets. As of June 30, 2006, the outstanding

balance of the defeased bonds was \$3,723,677.

- On Aug. 11, 2005, the university issued \$71,285,000 in Housing Facilities Revenue Bonds, Series 2005A, with interest rates ranging from 3.5 percent to 5.0 percent. A portion of the proceeds was used to defease

FSU's Francis Eppes Professor of Dance Suzanne Farrell has long been regarded as one of the most extraordinary and influential ballerinas of the late 20th century. In December 2005, her contributions to the performing arts and American culture were rewarded 2005 Kennedy Center Honors.



\$11,300,000 of outstanding Housing Facility Revenue Bonds, Series 1996, with the remaining portion used to finance and construct new housing facilities. 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 \$1,202,036 over the next 20 years and obtained an economic gain of \$815,030. As of June 30, 2006, the outstanding balance of the defeased bonds was \$11,300,000.

• In prior years, the university deposited with escrow agents in irrevocable trusts in amounts sufficient to meet the debt service requirement of the following Revenue Bonds. These defeased bonds are not reported as outstanding debt on the university's Statement of Net Assets. The following debt was considered defeased as of June 30, 2006:

| | |
|---|----------------------|
| Housing Facility Revenue Bonds, Series, 1994 | \$ 6,000,000 |
| Parking Facility Revenue Bonds, Series, 1992 | \$ 4,300,000 |
| University System Revenue Bonds, Series, 1993 | \$ 7,673,352 |
| Total | \$ 17,973,352 |

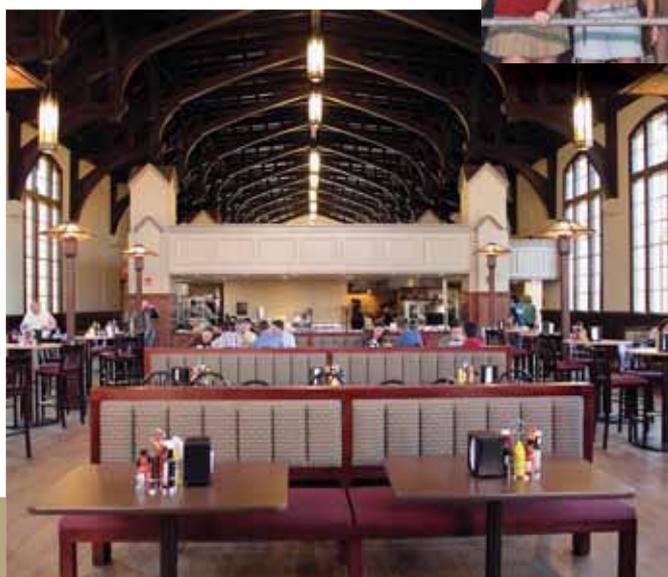
The university had the following bonds payable outstanding as of June 30, 2006:

| Bond Type and Series | Amount of Original Issue | Amount Outstanding (1) | Interest Rates (Percent) | Maturity Date |
|---|--------------------------|------------------------|--------------------------|---------------|
| Auxiliary Revenue Bonds: | | | | |
| 1993 Housing | \$ 3,500,000 | \$ 2,320,000 | 3.0 | 2022 |
| 2001 Housing | 9,000,000 | 8,176,142 | 4.0 - 5.0 | 2030 |
| 2001 Parking | 10,310,000 | 8,787,219 | 4.0 - 5.125 | 2022 |
| 2001A Housing | 25,500,000 | 23,678,329 | 4.0 - 5.0 | 2031 |
| 2003A Parking | 5,585,000 | 4,112,572 | 2.1 - 3.75 | 2014 |
| 2003B Parking | 15,645,000 | 13,954,178 | 2.4 - 4.5 | 2023 |
| 2004A Housing | 23,145,000 | 21,415,546 | 2.0 - 4.5 | 2034 |
| 2005A Parking | 11,270,000 | 11,018,624 | 3.375-5.0 | 2025 |
| 2005A Housing | 71,285,000 | 74,733,324 | 3.5-5.0 | 2035 |
| 2005A Dining | 10,000,000 | 9,830,000 | 5.083 (2) | 2025 |
| Total Auxiliary Revenue Bonds | 185,240,000 | 178,025,934 | | |
| State University System (SUS) Revenue Bonds: | | | | |
| 1997 SUS | 5,135,842 | 156,222 | 5.1 | 2007 |
| 1997A SUS | 13,060,541 | 11,261,162 | 4.4 - 5.0 | 2016 |
| 1998 SUS | 7,501,901 | 5,830,202 | 4.0 - 5.0 | 2023 |
| 2001 SUS | 8,130,986 | 7,109,732 | 4.0 - 5.0 | 2026 |
| 2003A SUS | 10,512,253 | 7,395,684 | 5.0 | 2013 |
| 2005A SUS | 3,947,642 | 3,639,654 | 3.625-4.125 | 2022 |
| 2006A SUS | 14,660,596 | 15,098,666 | 4.0-5.0 | 2030 |
| Total State University System Revenue Bonds | 62,949,761 | 50,491,322 | | |
| Total | \$ 248,189,761 | \$ 228,517,256 | | |

(1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues. Original amount is principal only. (2) Rate listed is for interest payments through July 1, 2012. Rates are still to be determined for interest payments made after July 1, 2012.



For FSU students, college football isn't just a spectator sport. On game days, thousands turn out at Doak Campbell Stadium to cheer and "chop" their team to victory.



For decades, Florida State college for Women students received three meals a day in the Suwannee Dining Room, which was originally built in 1913. In 2005, work began to restore the Gothic Revival structure to its original role of dining facility. The Dining Hall reopened to students, faculty and staff in the spring of 2006.



Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|-----------------------|-----------------------|-----------------------|
| 2007 | \$ 6,660,409 | \$ 10,626,731 | \$ 17,287,140 |
| 2008 | 8,199,404 | 10,061,379 | 18,260,783 |
| 2009 | 8,468,550 | 9,756,228 | 18,224,778 |
| 2010 | 8,828,590 | 9,429,540 | 18,258,130 |
| 2011 | 9,157,930 | 9,080,732 | 18,238,662 |
| 2012-2016 | 53,219,850 | 37,999,026 | 91,218,876 |
| 2017-2021 | 42,833,973 | 27,799,072 | 70,633,045 |
| 2022-2026 | 40,451,371 | 17,428,481 | 57,879,852 |
| 2027-2031 | 31,211,385 | 8,789,656 | 40,001,041 |
| 2032-2035 | 16,960,000 | 2,072,650 | 19,032,650 |
| Subtotal | 225,991,462 | 143,043,495 | 369,034,957 |
| Less: | | | |
| Unamortized Loss on Refunding | (1,416,764) | — | (1,416,764) |
| Plus Unamortized Premium and Discounts, Net | 3,942,558 | — | 3,942,558 |
| Total | \$ 228,517,256 | \$ 143,043,495 | \$ 371,560,751 |

Loans and Notes Payable

The university has a line of credit with Sallie Mae not to exceed \$50 million; this is used to provide loans to graduate students. The student loans are sold 61 to 90 days after full disbursement, and the proceeds are used to reduce the amount payable to Sallie Mae for line-of-credit advances received. Interest is paid to Sallie Mae quarterly and is tied to the bond equivalent rates of the quotes of the three-month commercial paper rates reported by the Federal Reserve. The \$215,284 amount reported as loans and notes payable represents the total amount of line-of-credit advances received from, and payable to, Sallie Mae as of June 30, 2006.

Installment Purchases Payable

The university has entered into several installment purchase agreements for the purchase of equipment reported at \$9,101,857. The interest rates ranged from 1.27 percent to 6 percent. Future minimum payments remaining under installment purchase agreements, and the present value of the minimum payments as of June 30, 2006, are as follows:

| Fiscal Year Ending June 30 | Amount |
|--|-------------------|
| 2007 | \$ 524,492 |
| 2008 | 193,675 |
| 2009 | 52,750 |
| Total Minimum Payments | 770,917 |
| Less, Amount Representing Interest | (20,134) |
| Present Value of Minimum Payments | \$ 750,783 |

Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to State Board of Governors Regulation 6C-5.920, and pursuant to bargaining agreements with 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. The university reports a liability for the accrued leave; however, state appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the university expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. 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. As of June 30, 2006, the estimated liability for compensated absences, which includes the university's share of the Florida Retirement System and FICA contributions, totaled \$43,934,980. The current portion of the compensated absences liability is based on actual payouts over the last three

years, calculated as a percentage of those years' total compensated absences liability.



Florida Retirement System

The majority of employees working in regularly established positions of the university are covered by the Florida Retirement System, a state-administered, cost-sharing, multiple-employer, defined benefit retirement 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 to enroll as members of the plan.

Benefits in the Florida Retirement System plan vest at six years of service. Any member employed in a regularly established position as of July 1, 2001, with a total of six or more years of creditable service will be considered vested. Former members who were 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 only will 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 four years of credit for military service. The Florida Retirement System 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 Florida Retirement System plan to defer receipt of monthly benefit payments 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 electing to participate. During DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

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

The state of Florida establishes contribution rates for Florida Retirement System plan members. Contribution rates during the 2005-2006 fiscal year are

presented below:

| Class or Plan | Percent of Gross Salary Employee | Percent of Gross Salary Employer (A) |
|---|----------------------------------|--------------------------------------|
| Florida Retirement System, Regular | 0.00 | 7.83 |
| Florida Retirement System, Special Risk | 0.00 | 18.53 |
| Florida Retirement System, Senior Management Services | 0.00 | 10.45 |
| Teacher's 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 | 9.33 |
| Florida Retirement System, Reemployed Retiree | (B) | (B) |

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
 (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The university's liability for participation 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, 2004, June 30, 2005, and June 30, 2006, totaled \$11,065,073, \$11,659,426 and \$11,885,860, 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 for eligible university instructors and administrators. The program is designed to aid state universities in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System for six or more years.

In an annual tradition for the FSU College of Nursing, new nursing students are welcomed into the program during a "Welcome to the Profession" ceremony in February 2006, bottom. Once known to generations as the "Capping Ceremony," the event marks the start of the journey of discovery for each class of nursing students. During the ceremony, each student is called forward to receive a rose, below.



The Optional Retirement Program is a defined contribution plan that 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, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary. A small amount remains in the Optional Retirement Program Trust Fund for 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 deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 2,131 university participants during the 2005-2006 fiscal year. Required contributions made to the Optional Retirement Program totaled \$23,512,793, including \$7,808,405 from employee contributions.

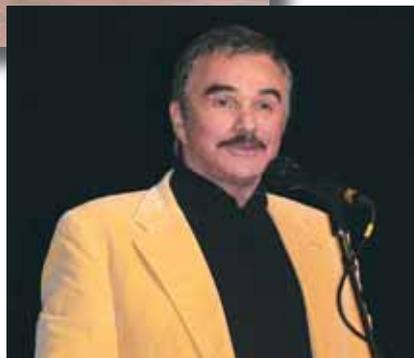
Public Employee Optional Retirement Program

Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a Public Employee Optional Retirement Program (PEORP), also known as the Florida Retirement System Investment Program. The PEORP is a defined contribution plan, sponsored by the state of Florida, available as an option to the Florida Retirement System defined benefit plan, and is self-directed by the employee. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. A retirement account is established for each employee who selects this option, and an employer contribution is

directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. With each pay period, the university contributes a percentage (same as the Florida Retirement System rate) of the participating employees' earnings to an annuity plan. Pension benefits are determined by the dollars in the account at the time of retirement.

There were 383 university participants in the Public Employee Optional Retirement Program during the 2005-2006 fiscal year. Required contributions made to the PEORP totaled \$992,297.

Performers from FSU's Flying High Circus perform for the Seminole faithful during FSU Day at the Florida Capitol in March 2006. Founded in 1947, the circus is one of FSU's oldest traditions.



The President's Ice Cream Social, held each year during the spring semester, has become a much-anticipated tradition at FSU.

Without a doubt, actor Burt Reynolds is FSU's most recognizable alumnus. In February 2006, he appeared on campus to introduce a performance by his good friend, country music performer Willie Nelson, during the Seven Days of Opening Nights arts and music festival.

Note 12 Post-Employment Benefits

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy to assist retirees of all state-administered retirement systems in paying health insurance costs. During the 2005-2006 fiscal year, the 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 rates.

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 2005-2006 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.



Note

13

Construction Commitments

The university's major construction commitments as of June 30, 2006, are as follows:

| | |
|-----------------------------|----------------|
| Total Estimated Commitments | \$ 350,396,315 |
| Completed to Date | 118,850,113 |
| Balance Committed | \$ 231,546,202 |

programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2005-2006 fiscal year, the state retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the state. 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. The \$50 million of wind coverage is \$35 million less than the coverage provided in the 2004-05 fiscal year. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, university employees may obtain health care services through participation in the state group health insurance plan or through membership in a health maintenance organization plan under contract with the state. The state's risk financing activities associated with state group health insurance,

such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the state not to purchase commercial coverage for the risk of loss covered by this fund. Additional information on the state's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

Note

16

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 legal counsel and management, should not materially affect the university's financial position.

Note

14

Operating Lease Commitments

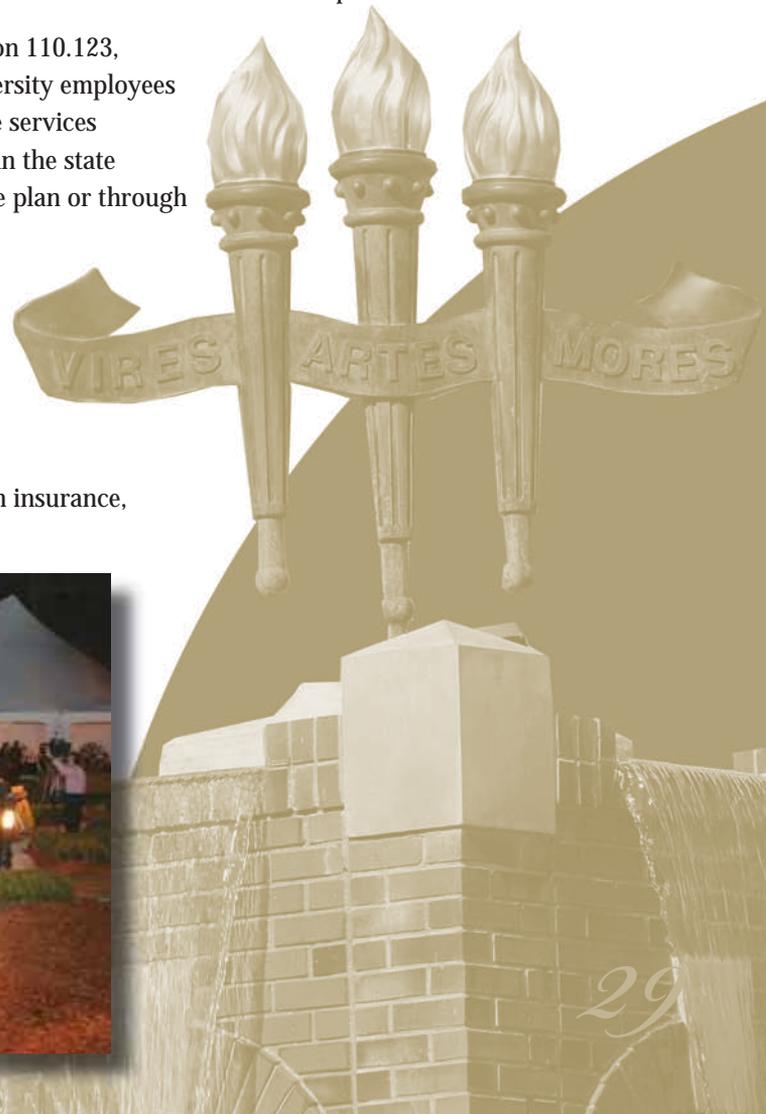
The university has long-term commitments for assets leased under operating leases. These assets are not recorded on the Statement of Net Assets; however, the operating lease payments are recorded as expenses in the Statement of Revenues, Expenses and Changes in Net Assets when paid or incurred. Outstanding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

Note

15

Risk Management Programs

Pursuant to Section 1001.72(3), Florida Statutes, the university participates in state self-insurance



FSU supporters attend a nighttime celebration on Landis Green in February 2006 to mark the successful conclusion of the "FSU CONNECT" capital campaign. The five year campaign exceeded its goal of raising \$600 million; by the end of 2005, it had reached a total of \$617 million.

Note

17

Functional Distribution of Operating Expenses

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

| Functional Classification | Amount |
|---------------------------------|-----------------------|
| Instruction | \$ 222,949,499 |
| Research | 106,096,575 |
| Public Service | 41,938,594 |
| Academic Support | 42,023,072 |
| Student Services | 26,476,834 |
| Institutional Support | 56,290,276 |
| Operations of Plant | 44,935,073 |
| Scholarships | 52,935,793 |
| Auxiliary Enterprises | 119,839,940 |
| Depreciation | 54,600,401 |
| Loan Operations | 238,261 |
| Total Operating Expenses | \$ 768,324,318 |

Note

18

Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instrument outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets and liabilities are required to be accounted for separately. The following financial information for the university's housing and parking facilities represents identifiable activities for which one or more bonds are outstanding:

CONDENSED STATEMENT of NET ASSETS

| | Parking Facility Revenue Bonds | Housing Facility Revenue Bonds |
|---|--------------------------------|--------------------------------|
| Assets | | |
| Current Assets | \$ 5,543,467 | \$ 12,468,949 |
| Capital Assets, Net | 42,595,404 | 133,620,504 |
| Other Noncurrent Assets | 10,204,636 | 64,140,781 |
| Total Assets | 58,343,507 | 210,230,234 |
| Liabilities | | |
| Current Liabilities | 4,257,842 | 15,894,560 |
| Noncurrent Liabilities | 36,258,533 | 128,830,977 |
| Total Liabilities | 40,516,375 | 144,725,537 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 11,004,858 | 46,965,579 |
| Restricted - Expendable | 2,673,742 | 7,450,586 |
| Unrestricted | 4,148,532 | 11,088,532 |
| Total Net Assets | \$ 17,827,132 | \$ 65,504,697 |

CONDENSED STATEMENT of REVENUES, EXPENSES & CHANGES in NET ASSETS

| | Parking Facility Revenue Bonds | Housing Facility Revenue Bonds |
|--|--------------------------------|--------------------------------|
| Operating Revenue | \$ 8,611,116 | \$ 19,435,079 |
| Operating Expense | 3,714,442 | 12,959,062 |
| Operating Income (Loss) | 4,896,674 | 6,476,017 |
| Net Nonoperating Revenues (Expenses) | 494,980 | 1,510,353 |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | 5,391,654 | 7,986,370 |
| Other Revenues, (Expenses), Gains, or (Losses) | (2,339,391) | 2,037,223 |
| Increase in Net Assets | 3,052,263 | 10,023,593 |
| Net Assets, Beginning of Year | 14,774,869 | 55,481,104 |
| Net Assets, End of Year | \$ 17,827,132 | \$ 65,504,697 |



In April 2006, FSU President T.K. Wetherell signed a cooperative agreement that establishes the university as the North American partner of Spain's International Valencian University. The agreement aims to enhance the bridge between Spain and the United States by promoting academic exchange and encouraging the increased study of the languages, culture and history of both countries.



CONDENSED STATEMENT *of* CASH FLOWS

| | Parking Facility Revenue Bonds | Housing Facility Revenue Bonds |
|--|-----------------------------------|-----------------------------------|
| Net Cash Provided (Used) by: | | |
| Operating Activities | \$ 4,677,453 | \$ 8,859,521 |
| Noncapital Financing Activities | (2,339,391) | 2,037,223 |
| Capital and Related Financing Activities | (3,731,926) | (23,058,184) |
| Investing Activities | (18,084) | 5,591,780 |
| Net Decrease in Cash and Cash Equivalents | (1,411,948) | (6,569,660) |
| Cash and Cash Equivalents, Beginning of Year | 5,772,644 | 13,752,565 |
| Cash and Cash Equivalents, as Restated (1) | 5,772,644 | 13,517,756 |
| Cash and Cash Equivalents, End of Year | \$ 4,360,696 | \$ 6,948,096 |

(1) Housing Facility Revenue Bonds' cash and cash equivalents were decreased by \$234,809 to correct overstatement in beginning balance.

Note

19 Prior Period Adjustments

Adjustments to beginning net assets are reported in accordance with Accounting Principles Board Opinions Nos. 9 and 20, and FASB Statement No. 16, only when amounts

are considered material. An adjustment totaling \$8,080,757 was made to decrease beginning net assets for a prior period overstatement of Sponsored Research revenue. This adjustment to beginning net assets is reported in the Statement of Revenues, Expenses and Changes in Net Assets to correct prior year accounting errors related to the new Sponsored Research project module instituted in the prior year. Certain prior year receipts were not properly posted as reductions to the receivable.

Veteran television journalist Tom Brokaw received an honorary doctorate of humane letters from FSU in May 2006 when he visited the campus to deliver a spring commencement address. Here he speaks with William Oldson, the director of FSU's Institute on World War II and the Human Experience, which was the recipient of thousands of letters and other historical documents donated by Brokaw in 2001 after completing his bestselling book "The Greatest Generation."



Teng Ma, an associate professor of chemical and biomedical engineering, is winning recognition for his efforts to grow large volumes of adult stem cells in a laboratory setting. Such research could lead to revolutionary treatments for everything from cancer to heart disease and osteoporosis.

Note

20 Subsequent Events

In connection with a lawsuit filed against Florida State University, the FSU Foundation, the FSU Research Foundation and the Florida Board of Governors seeking remedies and specific performance on a contract, on Aug. 28, 2006, a judge granted a summary judgement requiring the FSU Foundation to return an \$11-million gift plus accrued interest. On Sept. 13, 2006, the judge's order was final. Prior to the final judgement date and after the 2005-2006 fiscal year, the university returned \$13,523,287.44. The return of a gift and accrued interest is not recorded on the university's statements for the 2005-2006 fiscal year.

Note

21 Component Units

The university has eight component units, as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component unit column of the financial statements. The following financial information is from the most recently available audited financial statements of the component units:

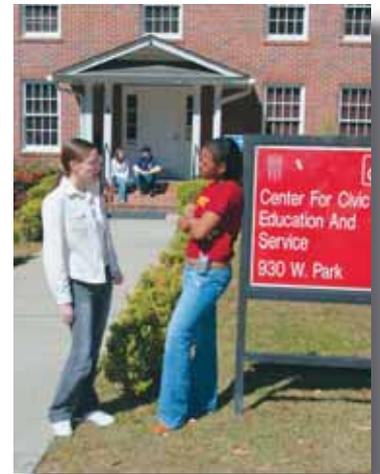
| | Alumni Association 6/30/06 | International Programs 9/30/05 | FSU Foundation 6/30/06 | Seminole Boosters 1/31/06 |
|--|-------------------------------|-----------------------------------|---------------------------|------------------------------|
| Direct-Support Orga | | | | |
| Condensed Statement of Net Assets | | | | |
| Assets: | | | | |
| Current Assets | \$ 1,378,482 | \$ 5,029,409 | \$ 58,594,265 | \$ 31,945,165 |
| Capital Assets, Net | 156,869 | 16,268,512 | 1,750,376 | 12,430,916 |
| Other Noncurrent Assets | 207,341 | 12,464 | 405,065,033 | 104,570,028 |
| Total Assets | 1,742,692 | 21,310,385 | 465,409,674 | 148,946,109 |
| Liabilities: | | | | |
| Current Liabilities | 172,936 | 1,530,407 | 4,433,010 | 17,637,494 |
| Noncurrent Liabilities | 3,764,838 | 13,348,719 | 7,382,430 | 7,473,925 |
| Total Liabilities | 3,937,774 | 14,879,126 | 11,815,440 | 25,111,419 |
| Net Assets: | | | | |
| Invested in Capital Assets, Net of Related Debt | 156,869 | 1,759,489 | 1,750,376 | 7,841,600 |
| Restricted | 932,101 | - | 426,255,984 | 94,717,961 |
| Unrestricted | (3,284,052) | 4,671,770 | 25,587,874 | 21,275,129 |
| Total Net Assets | \$ (2,195,082) | \$ 6,431,259 | \$ 453,594,234 | \$ 123,834,690 |
| Condensed Statement of Revenues, Expenses, and Changes in Net Assets | | | | |
| Operating Revenues | \$ 2,009,813 | \$ 10,212,248 | \$ 49,410,025 | \$ 23,324,167 |
| Operating Expenses | 1,612,134 | 9,039,143 | 34,598,180 | 24,044,473 |
| Operating Income (Loss) | 397,679 | 1,173,105 | 14,811,845 | (720,306) |
| Net Nonoperating Revenues (Expenses) | (268,458) | (306,945) | 39,214,403 | 1,629,851 |
| Other Revenues, (Expenses), Gains, and (Losses) | - | - | (1,188,841) | 5,102,339 |
| Increase (Decrease) in Net Assets | 129,221 | 866,160 | 52,837,407 | 6,011,884 |
| Net Assets, Beginning of Year | (2,324,303) | 5,565,099 | 400,756,827 | 117,822,806 |
| Net Assets, End of Year | \$ (2,195,082) | \$ 6,431,259 | \$ 453,594,234 | \$ 123,834,690 |



No freshman year at FSU would be complete without taking an introductory biology course at Ruby Diamond Auditorium. "General Biology for Non-Majors" has an enrollment of up to 1,500 students per semester.



The Center for Civic Education and Service brings together FSU students, faculty and staff in providing community-based learning through service. Through various student-led outreach projects, students develop a greater sense of the social problems in the Tallahassee community — and find ways to make a difference.



| Organizations | | | Other: | | Total |
|------------------------------|-----------------------------|-------------------------|---------------------|----------------|-------|
| Financial Assistance 1/31/06 | Research Foundation 6/30/06 | Ringling Museum 6/30/06 | FSU Schools 6/30/05 | | |
| \$ 2,413,271 | \$ 55,735,851 | \$ 3,520,275 | \$ 6,833,993 | \$ 165,450,711 | |
| 87,097,889 | 29,464,077 | 155,961 | 24,466,436 | 171,791,036 | |
| 3,600,116 | 71,386,041 | - | - | 584,841,023 | |
| 93,111,276 | 156,585,969 | 3,676,236 | 31,300,429 | 922,082,770 | |
| 4,881,460 | 39,210,566 | 94,461 | 1,234,493 | 69,194,827 | |
| 72,100,568 | 21,184,979 | - | 22,136,170 | 147,391,629 | |
| 76,982,028 | 60,395,545 | 94,461 | 23,370,663 | 216,586,456 | |
| 17,007,425 | 7,097,888 | 155,961 | 1,981,436 | 37,751,044 | |
| - | - | 2,607,443 | 74,231 | 524,587,720 | |
| (878,177) | 89,092,536 | 818,371 | 5,874,099 | 143,157,550 | |
| \$ 16,129,248 | \$ 96,190,424 | \$ 3,581,775 | \$ 7,929,766 | \$ 705,496,314 | |
| \$ 4,447,678 | \$ 10,989,223 | \$ 1,719,270 | \$ 9,906,631 | \$ 112,019,055 | |
| 2,683,322 | 14,371,961 | 1,641,000 | 10,180,483 | 98,170,696 | |
| 1,764,356 | (3,382,738) | 78,270 | (273,852) | 13,848,359 | |
| (3,246,403) | 3,357,811 | 112,742 | (1,094,234) | 39,398,767 | |
| 1,571,595 | - | 17,888 | 1,630,875 | 7,133,856 | |
| 89,548 | (24,927) | 208,900 | 262,789 | 60,380,982 | |
| 16,039,700 | 96,215,351 | 3,372,875 | 7,666,977 | 645,115,332 | |
| \$ 16,129,248 | \$ 96,190,424 | \$ 3,581,775 | \$ 7,929,766 | \$ 705,496,314 | |



Construction continued throughout 2006 on Wildwood Hall, a new residence facility located at the intersection of Wildwood Drive and Jefferson Street on the FSU campus. The building, which was expected to be finished during the fall of 2007, will accommodate 706 students in suite-style quarters.



Dan Zanes and Friends bought their kid-friendly "family music" to Ruby Diamond Auditorium for a performance during the Seven Days of Opening Nights arts and music festival in February 2006.





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