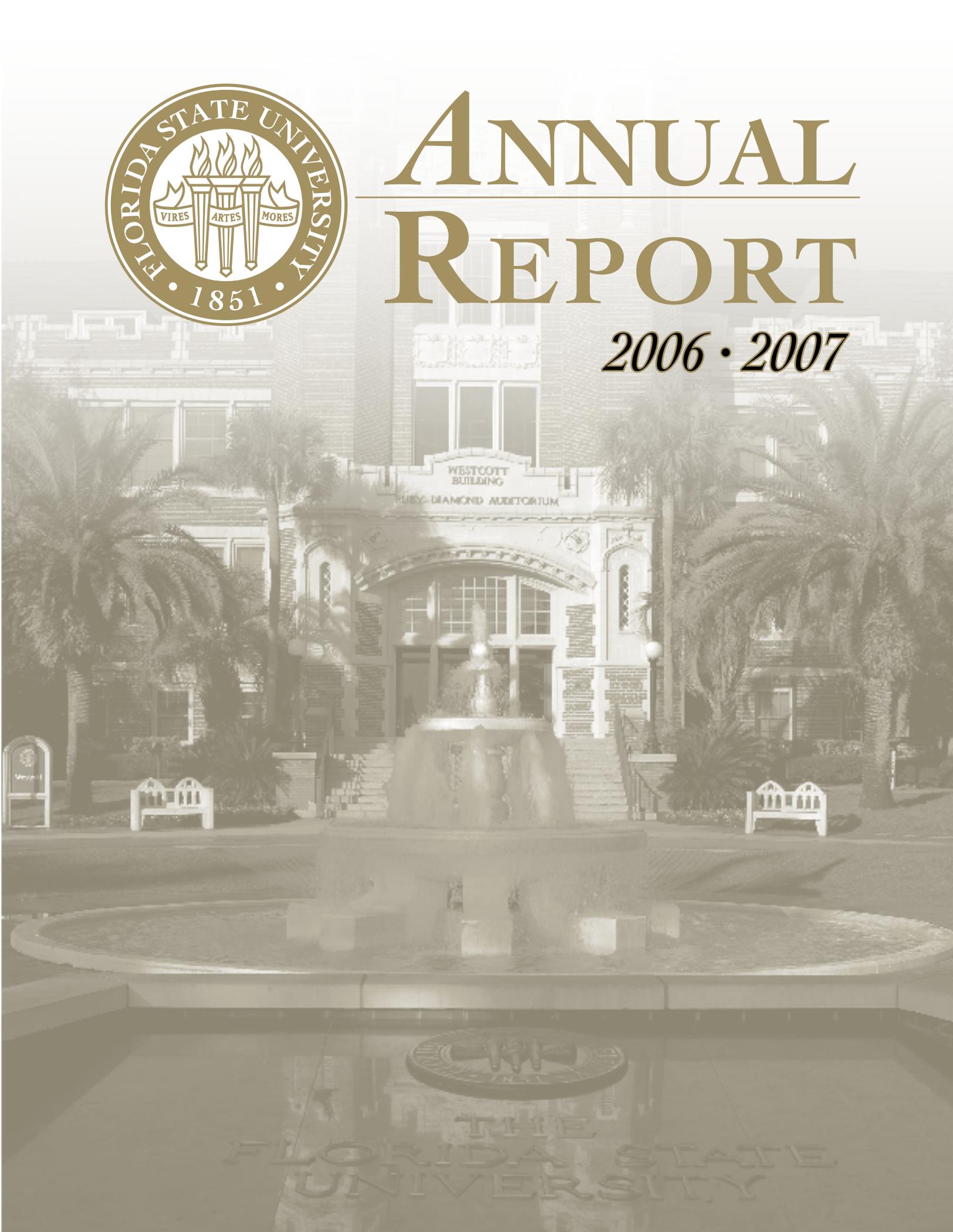




ANNUAL REPORT

2006 • 2007



THE
FLORIDA STATE
UNIVERSITY

FLORIDA STATE UNIVERSITY

2006-2007 Annual Report



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THIS PUBLICATION IS AVAILABLE IN ALTERNATIVE FORMAT UPON REQUEST.

INTRODUCTION

FROM THE SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION



JOHN R. CARNAGHI

**BE
PREPARED,
WORK
HARD, AND
HOPE FOR
A LITTLE
LUCK.**

Ed Bradley
News Correspondent

Fiscal Year 2006-07 was indeed noteworthy for our continuing preparedness and hard work toward achieving the excellence that is necessary for this University's existence. With preparedness and planning, and with hard work focused on achieving our goals, we minimize the vagaries that luck, good or bad, has upon our operations.

Perhaps most noteworthy was our progress towards achieving a truly integrated and seamless information system throughout the University utilizing this institution's new Financial and HR Enterprise Resource Planning (ERP) Systems. In 2004, we embarked upon OMNI (On-Line Management of Networked Information) in order to prepare ourselves for the myriad of challenges we faced as the criticality and complexity of information systems increased. Based upon multi-year, continuous planning, our OMNI professionals achieved three essential goals during the fiscal year: (1) stabilization of the operational environment, including the upgrade to current, supported levels of the PeopleSoft ERP software, supporting systems, and the hardware infrastructure; (2) enhancement of the OMNI system in the areas of reconciliations, retro-funding distributions, and reporting; and (3) upgrading our infrastructure to improve performance and to accommodate the anticipated growth of the OMNI system as usage and applications increase.

To be prepared for these anticipated improvements, particularly within arenas outside of financials and human resources, we embarked upon preliminary planning to expand OMNI applications to enhance student-centered functions, such as cashiering, counseling, and registration. Truly, OMNI is rapidly becoming the robust, flourishing system we envisioned. It is a customer-centered system that promotes information accessibility and utility through flexibility

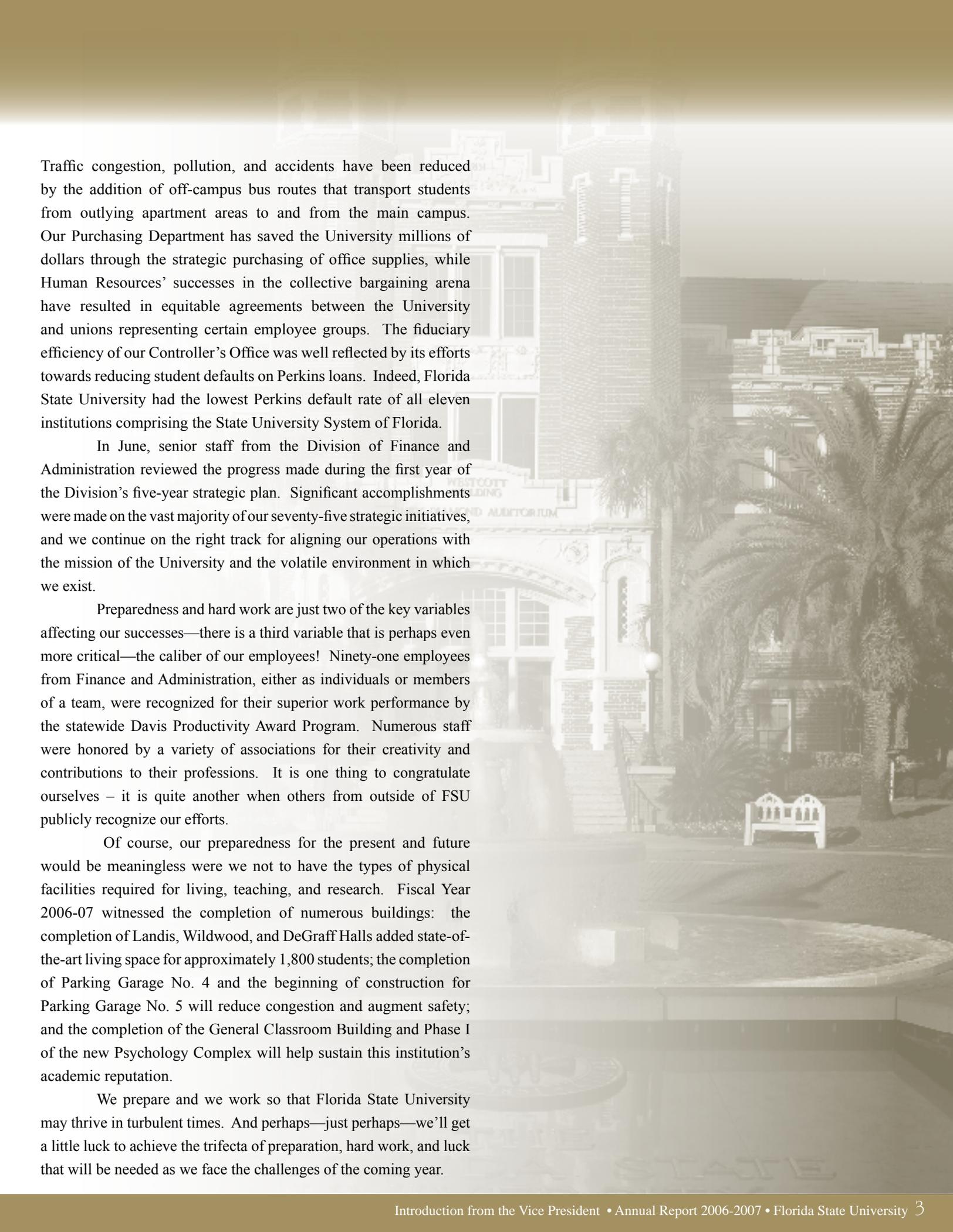
and efficiency. In time, it will be the valued tool that managers need to make informed decisions.

Preparedness and hard work are not only applicable to this institution's information technology function. As the tragic mass murders at Virginia Tech pointed out, institutions of higher education must proactively prepare for the worst of contingencies. Our Police Department, Department of Environmental Safety, Office of Telecommunications, ERP unit, and Office of Technology Integration, working collectively and individually, have undertaken significant actions to meet any emergency that might befall our campus. Partially funded by a grant received from the Department of Homeland Security, Environmental Health and Safety was the lead department in instituting a campus-wide, multi-channel emergency notification system, consisting of alarm sirens, text-messaging, FM broadcasts, and Reverse 911. The Police Department, in concert with the Office of Telecommunications, was awarded another Homeland Security grant that funded the purchase and installation of surveillance equipment in and around Doak S. Campbell Stadium, a designated security target.

In a similar manner, ERP and Technology Integration continued to refine and expand the capabilities of the University's Disaster Recovery site outside Atlanta, Georgia. Information is truly the lifeblood of modern organizations, and this University's myriad constituencies can be assured that we can continue operations thanks to the preparedness and work we have expended towards maintaining information integrity and accessibility.

Our concern for emergency preparedness was reflected by the decision to create and fill a full-time Emergency Management Coordinator position, responsible for developing and monitoring campus-wide disaster response and recovery planning. We have prepared; we have worked; and perhaps we won't need the "luck" that Ed Bradley cited in order to ensure that we can meet the worst of challenges should they confront us.

Our responses to rising energy costs, the sustainability movement, and budget reductions reflected well upon our continuing preparedness. Our Facilities Department has taken the lead in these areas through computerized irrigation, window and light replacement, recycling, water-saving appliances, and inefficient equipment replacement. The groundbreaking for our new Materials Research Building was notable because it will be the first building on our campus to be LEED (Leadership in Energy and Environmental Design) certified. Our Ringling Museum of Art and Cultural Center in Sarasota, collaborating with New College, saved over \$1,000,000 in utility costs with its new chiller plant.



Traffic congestion, pollution, and accidents have been reduced by the addition of off-campus bus routes that transport students from outlying apartment areas to and from the main campus. Our Purchasing Department has saved the University millions of dollars through the strategic purchasing of office supplies, while Human Resources' successes in the collective bargaining arena have resulted in equitable agreements between the University and unions representing certain employee groups. The fiduciary efficiency of our Controller's Office was well reflected by its efforts towards reducing student defaults on Perkins loans. Indeed, Florida State University had the lowest Perkins default rate of all eleven institutions comprising the State University System of Florida.

In June, senior staff from the Division of Finance and Administration reviewed the progress made during the first year of the Division's five-year strategic plan. Significant accomplishments were made on the vast majority of our seventy-five strategic initiatives, and we continue on the right track for aligning our operations with the mission of the University and the volatile environment in which we exist.

Preparedness and hard work are just two of the key variables affecting our successes—there is a third variable that is perhaps even more critical—the caliber of our employees! Ninety-one employees from Finance and Administration, either as individuals or members of a team, were recognized for their superior work performance by the statewide Davis Productivity Award Program. Numerous staff were honored by a variety of associations for their creativity and contributions to their professions. It is one thing to congratulate ourselves – it is quite another when others from outside of FSU publicly recognize our efforts.

Of course, our preparedness for the present and future would be meaningless were we not to have the types of physical facilities required for living, teaching, and research. Fiscal Year 2006-07 witnessed the completion of numerous buildings: the completion of Landis, Wildwood, and DeGraff Halls added state-of-the-art living space for approximately 1,800 students; the completion of Parking Garage No. 4 and the beginning of construction for Parking Garage No. 5 will reduce congestion and augment safety; and the completion of the General Classroom Building and Phase I of the new Psychology Complex will help sustain this institution's academic reputation.

We prepare and we work so that Florida State University may thrive in turbulent times. And perhaps—just perhaps—we'll get a little luck to achieve the trifecta of preparation, hard work, and luck that will be needed as we face the challenges of the coming year.

PRESIDENT'S MESSAGE



T.K. WETHERELL

The year 2007 marked the 60th anniversary of the establishment of Florida State University. The year was marked by significant accomplishments, including the naming of Student Government President Joe O'Shea as our second Rhodes Scholar in three years. On this front, Florida State

University is outpacing all other Florida universities.

Throughout the year our Pathways of Excellence initiative continued as a major element of our commitment to quality. Since the beginning of the Pathways program in 2005, 56 new faculty hires have been authorized, and 17 are on board.

We've welcomed new faculty members to clusters ranging from our first, History of Text Technologies, to Neuroscience, Experimental Social Science and Advanced Materials. They've come to us from all over the world.

We anticipate that these new faculty members and others who will be joining us over the years will join our current faculty and have a dramatic effect on research, external grant funding and training of doctoral students.

There's already progress to report:

- Our research funds, which hit a record \$190 million in 2005-06, hit another record this year: \$194 million.
- Our training of doctoral students has also hit new records—up 26 percent in the past two years, and this year we established a Ph.D. program in biostatistics.
- There are many other indications of progress. We have welcomed Billie Collier as dean of Human Sciences and Lisa Plowfield as dean of Nursing. We also have a new library director, Julia Zimmerman.
- Our faculty members have continued to excel. During the past year we've seen significant new faculty honors, including two new Fellows of the American Association for the Advancement of Sciences, Greg Boebinger of the National High Magnetic Field Laboratory and Sherry Southerland of the College of Education. With the opening of our new Office of Faculty Awards we anticipate providing support so that even more faculty members can gain this kind of recognition.
- The quality of our colleges was also confirmed with the re-accreditation of the College of Information (masters) by the American

Library Association; accreditation of Golf Management (masters) by the Professional Golf Association of America; accreditation of Public Administration (masters) by the National Association of Schools of Public Affairs and Administration; and accreditation of Rehabilitation Counseling (masters) by the Council on Rehabilitation Education.

- The College of Medicine continues to expand through clinical learning sites to Immokalee, Panama City, Daytona Beach, Ft. Pierce, and Archbold Memorial Hospital in Thomasville, Ga.
- Once again, major publications and organizations have recognized the quality of FSU's programs. Rankings of note include the College of Education's Program in Higher Education being ranked 18th in the United States among all higher-education administration programs in the *U.S. News & World Report* publication, "America's Best Graduate Schools 2008," and the law school's environmental law program being ranked 12th in the nation (up from 14th) and, for the first time ever, the tax law program being specially ranked, at 21st, tied with Columbia University.
- In the College of Arts & Sciences, *The Atlantic* magazine has listed FSU's graduate-level Creative Writing program among the nation's top 10 and the Ph.D. program in the nation's top five.
- The College of Business undergraduate program has secured *U.S. News & World Report's* 2008 ranking of 29th best program in the nation among public institutions. In the same assessment, the risk management/insurance program ranked fourth best, the real estate program 11th best, and the department of management information systems 14th among public institutions.
- In the College of Social Sciences, the political science department, already among the Top 10 public universities in terms of research productivity, has been ranked 22nd among all U.S. universities and 8th among public universities based on the success of its Ph.D. graduates in the academic job market, according to *PS*, an official journal of the American Political Science Association.
- Based on the excellence of our College of Education, FSU was chosen as the site of the new Florida Center for Research in Science, Technology, Engineering and Mathematics. The center, which received \$2 million in state funds this year, with more promised in future years, will use an interdisciplinary, evidence-based approach to improve mathematics and science teaching and learning in Florida's schools.
- Our Film School has also continued to break records. Its 2007 top-three finish at the 28th Annual College Television Awards makes 22 times in 16 years that works written, produced and directed by FSU film students have claimed a first, second or third-place Emmy from the Academy of Television Arts and Sciences. FSU set an Academy record by winning five of the College Television Awards in 2004 alone, the

most ever for one school in a single year.

- Our students are also doing remarkably well, coming to us with higher and higher GPAs and test scores. The fall 2007 freshman class brought a 3.8 grade point average, an SAT score of 1,218 and an ACT score of 27, high standards, indeed, compared to national average scores of 1,021 for the SAT and 21.1 for the ACT.
- Our new Office of National Fellowships has continued to support our students in their quest to successfully compete for more than 75 different fellowships, such as the Rhodes, Marshall, Fulbright, Truman, Gubernatorial and Goldwater scholarships.
- More and more students are choosing to participate in our honors programs and in research, and to support them, we have opened our Office of Undergraduate Research and Creative Endeavors.
- Not only are our undergraduate students arriving better prepared, our graduate students are also coming with increasingly higher qualifications. For Fall 2007, the average GRE score was 1,098, compared to 1,039 for Fall 2000. Further, the top 10 percent of new graduate students had an average GRE score of 1,330 for Fall 2006.
- In line with our Pathways of Excellence goals, our graduate enrollment increased by 7.2 percent over 2005-06. This year graduate enrollment is up another 4.1 percent. Enrollment in our College of Law and College of Medicine is also increasing.
- We also take pride in our diversity, which has been recognized nationwide. Last summer, the publication, *Diverse: Issues in Higher Education*, reported that FSU is among the very top schools in the United States at producing minority graduates. Even more significant, FSU is the No. 1 producer in the United States of African-American baccalaureates among Doctoral Universities with very high research activity.
- In other affirmations of FSU's appreciation of diversity, *Hispanic Business Magazine* has again ranked the College of Law among the top 10 in the nation for Hispanics. The FSU College of Medicine, founded in 2000, made the Top 10 list for the first time this year, ranking ninth.

It has been a great year for campus construction. The following projects are either in planning, under construction or recently opened:

- A new classroom building, Phase 1 of the Psychology Building and the College of Medicine have been completed.
- Our new Chemistry Building, Life Sciences Building, Phase 2 of the Psychology Building, the Marine Science Research & Training Center, the Materials Research Building, the Student Success Center and the new Center for Professional Development, which includes a new parking garage, are under construction.
- Renovation of the Stone Building and expansion of the track are under way.
- Renovation of Ruby Diamond Auditorium will begin at the end of

Spring semester, and Phase 2 of the renovation of the Johnston Building is in the programming stage.

- With the opening of Ragans, DeGraff and Wildwood Halls, we have added a total of 2,000 residential spaces, for a total of 7,000 on campus.
- We have added over 1,500 new parking places in two new garages, plus a fifth garage at the CPD site with nearly 1,000 spaces under construction.
- The largest single outdoor collegiate recreational facility in the country, the FSU Rec SportsPlex, opened last September.
- Our Heritage Grove housing development is nearly fully occupied.
- Our Westcott Lakes "Life-Fulfilling Community" is on track and scheduled to open in 2010.
- Legacy Walk Phases I and II are complete, providing a sense of the university's great heritage through sculptures, banners, plaques and signage.
- At the Ringling Museum, the Ulla R. and Arthur F. Searing Wing opened, and plans are under way for even more construction. We have also seen new construction on our Panama City campus and at the Valencia Study Center for our International Programs in Spain.
- In other news of campus construction, we have a new privately funded President's House that allows us to offer the highest level of hospitality.
- Among important signs of progress, we have continued to reach out to our community in many, many ways, including further strengthening our ties with the Seminole Tribe of Florida. Here on campus we have worked collaboratively with the tribe to develop and offer a course on tribal history through the History Department.
- We are continuing to work with the tribe to develop the Seminole Cultural Center and Museum at Florida State University, which will serve as a point of reference in Native American recognition throughout the country.

Despite all of this positive news, we continue to be faced with serious financial challenges. Even with tuition increases, state budget reductions are forcing us to make difficult cuts across campus.

For this reason we are focused on the vital importance of private giving to the future of Florida State University. We have welcomed Charles Rasberry as president of the Foundation and look forward to his leadership in developing the private resources that are more necessary today than ever before.

We remain committed to offering the highest levels of higher education. Even in the face of budget challenges, we will not back away from our mission; we will move forward confidently on even broader Pathways of Excellence.

Mission

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

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

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

History

Florida State University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University.

It has grown from an enrollment of 4,056 in 1947 to an enrollment of 40,474 in the fall semester of 2006.

Campus / Centers & Programs

In each succeeding decade, the University has added to its academic organization and now comprises 17 colleges and schools.

It has expanded to over 520 buildings on approximately 1,530 acres, including the downtown Tallahassee main campus of 452 acres, the Ringling Museum of 57 acres and Panama City branch campus of 26 acres. The University also offers degree programs in Sarasota, Florida and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in Costa Rica, Croatia, and Italy.

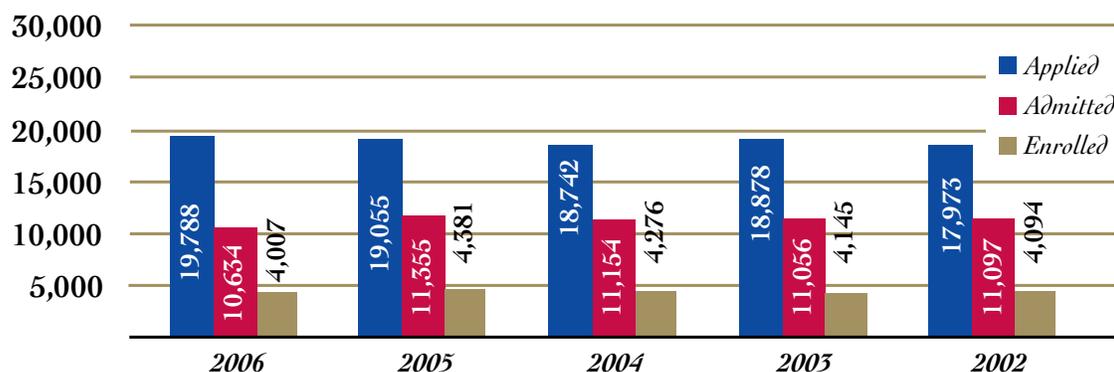
Through the Center for Professional Development, the university conducts off-campus credit courses and degree program as well as non-credit programs, workshops, seminars and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota, Florida, which is the largest museum/university complex in the nation.

Students

As a major comprehensive residential state University, Florida State attracts students from every county in Florida, every state in the nation and more than 130 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes some 79 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. It also provides alternative admissions and highly successful retention programs for special student populations. Most students pursue a full-time course of study in normal progression from high school or undergraduate institutions.

Graduate students comprise more than 20.2 percent of the student body and are enrolled in 213 graduate degree programs and 154 doctoral programs.

FRESHMAN APPLIED, ADMITTED, AND ENROLLED (Fall Term)



FINANCIAL AID ADMINISTERED FOR FISCAL YEAR ENDED JUNE 30, 2007

Federal Programs	Number of Recipients	Aid Disbursed
Pell Grant	12,630	\$ 17,754,954
Academic Competitiveness Grant (ACG)	2,208	1,057,155
SMART Grant	379	724,855
SEOG	1,592	1,256,265
Federal College Work Study	1,311	1,009,415
Community Service Learning Program	86	175,085
Perkins Student Loans	2,589	4,803,175
Scholarship for Disadvantaged Students	82	75,369
Stafford Loans		
Subsidized	28,172	68,476,951
Unsubsidized	23,941	64,536,505
Plus/Plug	2,399	13,230,357
NFSL/Private Loans	2,365	9,653,340
Total Federal Financial Aid Administered	77,754	182,753,426
State Programs		
Florida Student Assistance Grants (FSAG)	5,661	4,584,576
Bright Futures Scholarships	37,242	46,670,133
First Generation Grant	1,243	2,549,995
Other States' Scholarships	309	246,221
Total State Scholarships & Grants Administered	44,455	54,050,925
Institutional Programs		
FSU Delayed Delivery Loans & Emergency Loans	3,213	2,819,914
Merit Scholarships	7,336	7,351,544
Florida State University Grants	13,291	12,514,129
Athletics	1,018	1,865,555
Other Institutional Grants	42	182,995
Total Institutional Loans, Scholarships & Grants Administered	24,900	24,734,137
Foundation Scholarships	3,219	3,370,882
Private Scholarships	4,811	4,718,515
Total Private Scholarships	8,030	8,089,397
Tuition Waivers	11,377	33,773,524
Total Financial Aid Administered		\$303,401,409

Note: Individuals may receive multiple awards within a year.

Faculty

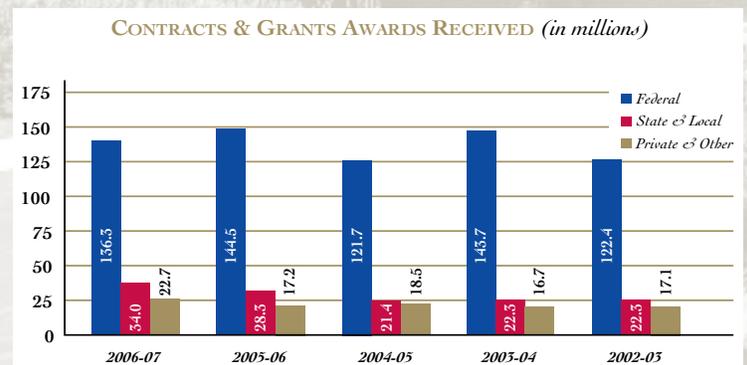
It is the official policy of the Florida State University to recruit the most talented faculty from leading centers of learning throughout the world. The Florida State faculty has included six Nobel Laureates and ten members of the National Academy of Sciences. Many of its faculty have received national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

FACULTY DATA

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Students/Faculty Ratio
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
2006-07	1,868	60	790	1,774	21:1

Research

Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In fiscal year 2006-07, Florida State University faculty and administrators generated more than \$193 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.



HEADCOUNT ENROLLMENT BY COLLEGES & SCHOOLS (*Fall Term*)

<u>SCHOOL / COLLEGE</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ARTS & SCIENCES	9,113	8,629	7,925	7,603	7,410
BUSINESS	6,086	6,217	6,302	6,150	6,065
COMMUNICATION	1,670	1,786	1,858	1,850	1,780
CRIMINOLOGY & CRIMINAL JUSTICE	1,407	1,420	1,529	1,478	1,374
EDUCATION	3,396	3,261	2,998	2,870	3,005
ENGINEERING	1,716	1,701	1,652	1,622	1,481
HUMAN SCIENCES	3,135	3,125	2,887	2,460	2,167
INFORMATION	1,139	1,077	1,150	1,153	1,275
LAW	758	764	740	735	750
MEDICINE	297	229	177	115	69
MOTION PICTURES, TV & RECORDING ARTS	178	213	221	205	239
MUSIC	1,153	1,165	1,152	1,108	1,059
NURSING	918	961	1,027	946	802
SOCIAL SCIENCES	4,385	3,979	3,612	3,420	3,225
SOCIAL WORK	792	765	727	673	630
THEATRE (COMBINED)	-	-	502	468	460
VISUAL ARTS, THEATRE & DANCE	1,784	1,712	1,206	1,147	1,104
UNDECIDED / SPECIAL	2,547	2,648	3,221	3,325	3,788
TOTAL	40,474	39,652	38,886	37,328	36,683

DEGREES AWARDED

<u>DEGREE</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
BACHELOR'S	7,189	6,938	6,856	6,578	6,335
MASTER'S	1,989	1,821	1,681	1,536	1,593
SPECIALIST	54	51	44	57	51
JURIS DOCTORATE	233	240	276	208	242
DOCTORATE	350	325	274	271	290
M.D.	48	36	27	-	-
TOTAL	9,863	9,411	9,158	8,650	8,511

*L*ibraries

Florida State University's library system, which ranks among the nation's top research libraries, is made up of eight libraries and fifteen subject-specific reading rooms. The libraries'

total collection includes more than 2.9 million volumes of books and periodicals, and 9 million microforms. Also, access to more than 300 subscription databases, 334,000 e-books, and 146,000 electronic journals allows students, faculty and staff to do research from their offices or homes.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, as shown on pages 15 through 34. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for 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 Florida State University and of its aggregate discretely presented component units as of June 30, 2007, 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.

As discussed in note 1 to the financial statements, The Florida State University College of Medicine Self Insurance Program, a blended component unit of the University, was created on July 1, 2006, and its financial activities were included in the University's financial statements. As also discussed in note 1 to the financial statements, the Seminole Boosters, Inc., and the Florida State University Financial Assistance, Inc., discretely presented component units of the University, changed their fiscal year ends from January 31 to June 30 and, as a result, the University's financial statements include financial activities for these component units for the 17-month period ended June 30, 2007. These changes affect the comparability of amounts reported for the 2006-07 fiscal year with amounts reported for the 2005-06 fiscal year.

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

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 10 through 14 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Florida State University's basic financial statements. The Introduction from the Senior Vice President for Finance & Administration; the Message from the President, University Overview, and Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introduction from the Senior Vice President (pages 2 through 3), Message from the President (pages 4 through 5), University Overviews (pages 6 through 8) and Supplemental Information (pages 10 through 14) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

David W. Martin, CPA
March 6, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS

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 Governmental Accounting Standards Board principles and focus on the University as a whole. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes, are the responsibility of University management. The MD&A should be read in conjunction with the financial statements and notes thereto.

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The University's financial report includes three basic financial statements: the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows. While audited financial statements for the 2005-06 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases.

Statement of Net Assets

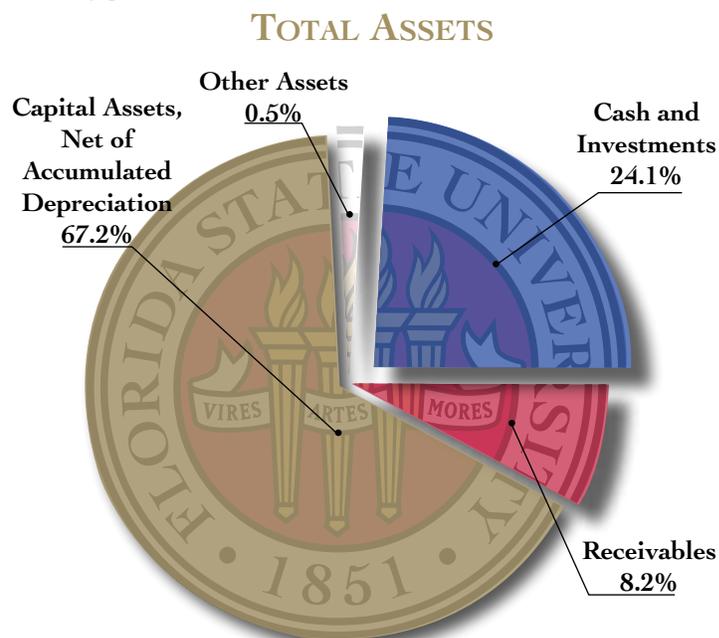
The statement of net assets presents the financial position of the University at fiscal year end. From the data presented, readers of the statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenses by the University. The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year when considered with non-financial facts, such as enrollment levels and the condition of the facilities. The following table shows a condensed statement of net assets at June 30, 2007, and June 30, 2006:

CONDENSED STATEMENT OF NET ASSETS

(In Thousands)

	2007	2006
ASSETS		
CURRENT ASSETS	\$ 570,732	\$ 567,279
CAPITAL ASSETS, NET	1,327,456	1,131,702
OTHER NONCURRENT ASSETS	77,103	81,596
TOTAL ASSETS	1,975,291	1,780,577
LIABILITIES		
CURRENT LIABILITIES	113,873	151,595
NONCURRENT LIABILITIES	280,862	261,820
TOTAL LIABILITIES	394,735	413,415
NET ASSETS		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,096,983	974,695
RESTRICTED	213,191	183,713
UNRESTRICTED	270,382	208,754
TOTAL NET ASSETS	\$1,580,556	\$1,367,162

Assets are what the University owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are categorized as either current or noncurrent. Current assets are generally considered to be convertible to cash within one year. The following chart presents assets by percent:



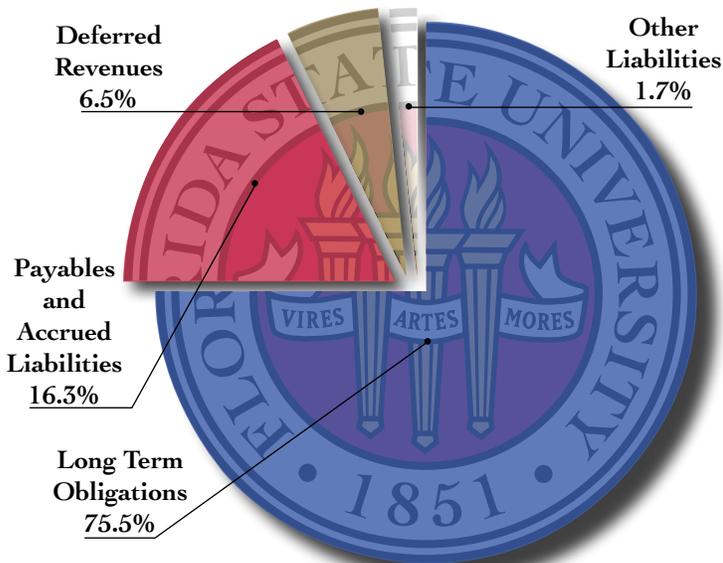
Total assets of the University increased by \$194.7 million. The most significant growth was an increase in net capital assets of \$195.8 million. During the 2006-07 fiscal year, disbursements of \$188 million were made for construction to complete buildings, to continue projects in progress and to begin new construction. Additional capital assets were donated by direct support organizations. Major projects completed during the 2006-07 fiscal year:

MAJOR PROJECTS COMPLETED (In Millions)

<u>PROJECT</u>	<u>AMOUNT</u>
RENOVATIONS	
ASOLO CONSERVATORY	\$1.3
RINGLING CONSERVATION/CURATORIAL	5.3
NEW CONSTRUCTION	
DEGRAFF HALL	25.9
PARKING GARAGE NO. 4	8.3
PORTION OF WILDWOOD HALLS	21.8
NEW CLASSROOM	8.7
PANAMA CITY-DESIGN & BUILD	7.1
PRESIDENT'S HOUSE - DONATION	4.1

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

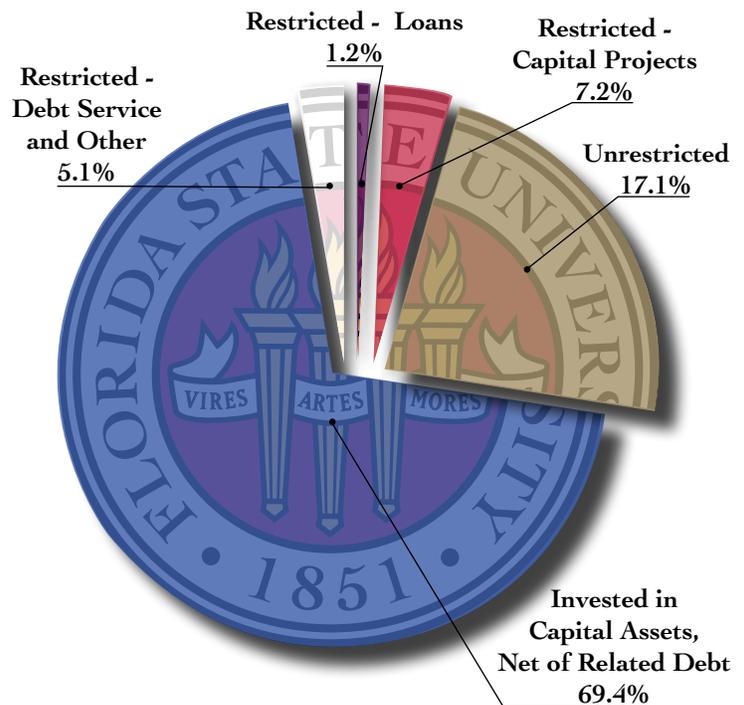
TOTAL LIABILITIES



As of June 30, 2007 total liabilities were \$394.7 million, compared to \$413.4 million at the end of the 2005-06 fiscal year. This reduction in liabilities was mainly driven by a 67 percent decrease in deferred revenues. Approximately \$52 million previously reported as deferred revenue from Public Education and Capital Outlay (PECO) construction appropriations was encumbered during the 2006-07 fiscal year and reported as capital appropriations revenue.

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

NET ASSETS



At June 30, 2007, net assets were \$1.58 billion up 15.6 percent from the 2005-06 fiscal year. The largest increase was in invested in capital assets, net of related debt, which grew by \$122.3 million as described above.

MANAGEMENT'S DISCUSSION & ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Assets

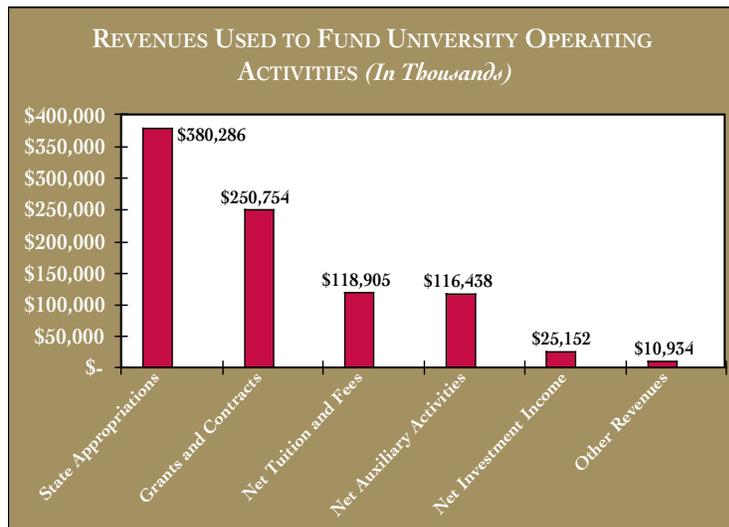
The statement of revenues, expenses and changes in net assets presents the University's revenues earned and the expenses incurred during the 2006-07 fiscal year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. The following table shows a condensed statement of revenues, expenses, and changes in net assets for the 2006-07 and 2005-06 fiscal years:

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

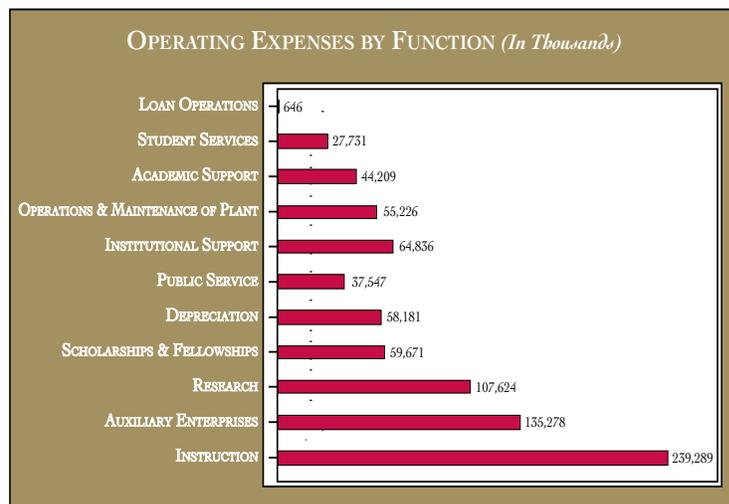
(In Thousands)

	<u>2006-07</u>	<u>2005-06</u>
OPERATING REVENUES	\$ 421,367	\$ 402,115
OPERATING EXPENSES	(830,238)	(768,324)
OPERATING LOSS	(408,871)	(366,209)
NET NONOPERATING REVENUES	464,154	398,147
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	55,283	31,938
NET OTHER REVENUES	158,111	34,628
INCREASE IN NET ASSETS	213,394	66,566
NET ASSETS, BEGINNING OF YEAR	1,367,162	1,300,596
NET ASSETS, END OF YEAR	\$1,580,556	\$1,367,162

Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including State appropriations, gifts and investment income, are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets. The following chart presents revenues for operating activities for the 2006-07 fiscal year:



Operating revenues increased by 4.8 percent for the 2006-07 fiscal year. Net tuition and fee revenues increased by \$4.3 million resulting from an overall 2 percent increase in headcount enrollment over the previous fall. This was coupled with a 3.3 percent increase in per-credit-hour undergraduate tuition rates. The following chart presents expenses (by function) used for operating activities for the 2006-07 fiscal year:



Operating expenses increased 8.1 percent for the fiscal year. Instructional expenses increased by \$16.3 million due mainly to an average 6 percent increase in nine-month faculty salaries (filled positions). Also affecting operating expenses was a \$10.3 million increase in Operations and Maintenance of Plant expenses. This increase was due in part to a 15 percent increase in utility costs and the increased capacity of new buildings becoming operational.

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from 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. Finally, cash flows from the noncapital financing activities include State appropriations, donations, and other activities not covered in other sections. The following summarizes cash flows for the 2006-07 and 2005-06 fiscal years:

CONDENSED STATEMENT OF CASH FLOWS (In Thousands)

	<u>2006-07</u>	<u>2005-06</u>
CASH PROVIDED (USED) BY:		
Operating Activities	\$(339,633)	\$(294,686)
Noncapital Financing Activities	462,831	388,854
Capital and Related Financing Activities	(78,162)	(51,527)
Investing Activities	(50,751)	(32,308)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,715)	10,333
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,275	9,942
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,560	\$ 20,275

Capital Assets, Construction Commitments, & Debt Administration

At June 30, 2007, the University had \$1.9 billion invested in capital assets, less accumulated depreciation of \$.6 billion, for net capital assets of \$1.3 billion. Depreciation expense totaled \$58.2

million for the 2006-07 fiscal year. Major capital project expenses during the 2006-07 fiscal year included the new Chemistry building (\$34 million), a new classroom building (\$7.4 million), the new intramural field complex (\$9.3 million), Wildwood Halls dormitories (\$17.7 million), the new Psychology Center (\$8.6 million), the new parking Garage No. 4 (\$6.1 million), and the new DeGraff Hall (\$22.5 million). See construction commitments detail listed in note 13 to the financial statements. The following table summarizes the University's construction commitments remaining at June 30, 2007:

CONSTRUCTION COMMITMENTS (In Thousands)

TOTAL COMMITTED	COMPLETED TO DATE	BALANCE COMMITTED
\$264,643	\$137,682	\$126,961

At June 30, 2007, the University had \$242.5 million of outstanding bonds compared to \$228.5 million at June 30, 2006. During the 2006-07 fiscal year, the University recorded a net capital transfer of \$.8 million from the Florida State University Research Foundation, which included \$22 million for Research Buildings A and B less \$21.2 million for the related outstanding bonds payable.

Economic Factors That Will Affect the Future

The Florida State University has a strong reputation for operational efficiency, as well as academic excellence. While the State continues to demonstrate strong financial support for higher education in Florida, it has not been enough to keep pace with the growth of the University. Therefore, the University must rely more heavily on other revenue streams to maintain its quality programs.

The State's estimated revenues were adjusted downward in August 2007 and the Legislature acted in October 2007 by reducing 2007-08 fiscal year appropriations by \$1.1 billion (3.6 percent of general revenue). In November 2007 the State again estimated an additional revenue shortfall of similar size for 2007-08 fiscal year. Significant non-recurring dollars were appropriated by the Legislature for 2007-08 fiscal year to help the universities during this temporary economic downturn. The University is closely monitoring the progress of the Governor's appointed Taxation and Budget Reform Commission. Their work will be important to the entire State and

MANAGEMENT'S DISCUSSION & ANALYSIS

may provide some improvements and/or additional stability to the State's revenue base.

In May 2007 the Legislature approved a differential tuition, which will provide up to a 15 percent per year undergraduate tuition increase for selected universities, including Florida State University, effective fall 2008. In October 2007, the Legislature approved a 5 percent undergraduate tuition increase, effective spring 2008. This legislative mid-year tuition increase was enacted to assist the universities with the State's revenue adjustments noted above. Also, the Legislature approved a technology fee of up to 5 percent of the tuition rate passed, effective fall 2009.

The Pathways of Excellence Initiative, designed to target and hire top faculty who are leaders in their respective fields, will bring

significant added value to Florida State University's world-class research groups and centers and is expected to increase the number of Ph.D. graduates. Although the "FSU CONNECT" campaign is complete after raising \$630 million, the University's direct support organizations continue their fundraising efforts and have raised the bar for future campaigns.

Once again the University finished the 2006-07 fiscal year in a better position than the previous year and is well-positioned to continue providing excellence in educational programs. The University's tuition levels remain relatively low and continue to attract top students. Also, the solid support from the State, the ability to attract new research funding, and the outstanding fundraising capabilities are among the factors indicating a bright future for the University.



STATEMENT OF NET ASSETS

as of June 30, 2007 (in thousands)

<u>ASSETS</u>	<u>UNIVERSITY</u>	<u>COMPONENT UNITS</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 7,648	\$ 8,326
Investments	407,388	134,754
Accounts Receivable, Net	32,799	35,143
Loans and Notes Receivable, Net	5,031	167
Due from State	108,068	-
Due from Component Units/University	3,799	6,715
Inventories	3,641	167
Other Current Assets	2,358	983
Total Current Assets	570,732	186,255
NONCURRENT ASSETS:		
Restricted Cash and Cash Equivalents	6,912	
Restricted Investments	53,986	542,218
Loans and Notes Receivable, Net	14,289	155
Depreciable Capital Assets, Net	1,067,143	128,285
Nondepreciable Capital Assets	260,313	23,157
Other Noncurrent Assets	1,916	92,860
Total Noncurrent Assets	1,404,559	786,675
TOTAL ASSETS	1,975,291	972,930
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	14,411	35,103
Construction Contracts Payable	24,720	-
Salaries and Wages Payable	19,753	343
Deposits Payable	5,769	24
Due to the Other State Universities	395	-
Due to State	674	-
Due to Component Units/University	4,521	12,441
Deferred Revenue	25,684	37,014
Other Current Liabilities	972	6,388
Long-Term Liabilities - Current Portion:		
Bonds Payable	8,704	2,480
Loans and Notes Payable	3,950	3,659
Installment Purchases Payable	940	-
Compensated Absences Payable	3,380	252
Total Current Liabilities	113,873	97,704
Noncurrent Liabilities:		
Bonds Payable	233,829	90,618
Loans and Notes Payable	-	11,725
Installment Purchases Payable	2,036	-
Accrued Self Insurance Claims	425	-
Compensated Absences Payable	44,414	797
Other Noncurrent Liabilities	158	9,477
Total Noncurrent Liabilities	280,862	112,617
TOTAL LIABILITIES	394,735	210,321
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,096,983	43,957
Restricted for Nonexpendable:		
Endowment	-	363,092
Restricted for Expendable:		
Debt Service	261	240
Loans	18,667	-
Capital Projects	113,965	-
Other	80,298	216,985
Unrestricted	270,382	138,335
TOTAL NET ASSETS	1,580,556	762,609
TOTAL LIABILITIES AND NET ASSETS	\$1,975,291	\$972,930

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, 2007 (in thousands)

<u>OPERATING REVENUES</u>	<u>UNIVERSITY</u>	<u>COMPONENT UNITS</u>
Student tuition and fees, net of scholarship		
Allowances of \$91,738 (\$6,212 pledged for Parking Facilities' Revenue Bonds)	\$ 118,905	\$ -
Federal grants and contracts	129,084	-
State and local grants and contracts	26,693	-
Nongovernmental grants and contracts	19,313	-
Sales and services of educational departments	1,633	-
Sales and services of auxiliary enterprises		
(\$2,164 pledged for the Parking Facilities' Revenue Bonds;		
\$22,477 pledged for the Housing Facilities' Revenue Bonds)	116,438	-
Sales and services of component units	-	26,305
Royalties and licensing fees	-	16,591
Gifts and donations	-	48,910
Interest on loans and notes receivable	176	-
Other operating revenue	9,125	9,948
Total operating revenues	421,367	101,754
<u>OPERATING EXPENSES</u>		
Compensation and employee benefits	489,827	22,948
Services and supplies	172,352	121,653
Utilities and communications	49,782	705
Scholarships, fellowships and waivers	59,671	-
Depreciation	58,181	6,566
Self insurance claims and expense	425	-
Total operating expenses	830,238	151,872
Operating loss	(408,871)	(50,118)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
State appropriations	380,286	-
Federal and state student financial aid	75,663	-
Investment income	23,010	83,279
Unrealized gains (losses) on investments	2,142	(983)
Investment expenses	-	(20)
Other nonoperating revenues	1,674	5,549
Loss on disposal of capital assets	(3,040)	-
Interest on capital assets - related debt	(7,366)	(8,001)
Other nonoperating expenses	(8,215)	(12,682)
Net nonoperating revenues	464,154	67,142
Income before other revenues, expenses, gains, or losses	55,283	17,024
Capital appropriations	113,844	-
Capital grants, contracts, and donations	44,267	13,339
Additions to permanent endowments	-	25,884
INCREASE IN NET ASSETS	213,394	56,247
NET ASSETS, BEGINNING OF YEAR	1,367,162	705,496
ADJUSTMENT TO BEGINNING NET ASSETS	-	866
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	1,367,162	706,362
NET ASSETS, END OF YEAR	\$1,580,556	\$762,609

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

STATEMENT OF CASH FLOWS

For Fiscal Year Ended June 30, 2007 (in thousands)

	<u>UNIVERSITY</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Tuition and fees, net	\$118,905
Grants and contracts	174,751
Sales and services of educational departments	1,627
Sales and services of auxiliary enterprises	113,885
Interest on loans and notes receivable	176
Other operating receipts	15,433
Payments to employees	(485,348)
Payments to suppliers for goods and services	(217,680)
Payments to students for scholarships and fellowships	(59,671)
Net loans issued to students	(1,711)
Net cash used by operating activities	(339,633)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
State appropriations	380,286
Federal and state student financial aid	75,663
Noncapital subsidies and transfers	2,536
Net change in funds held for others	3,002
Other nonoperating receipts	1,428
Other nonoperating disbursements	(84)
Net cash provided by noncapital financing activities	462,831
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital appropriations	59,081
Capital grants, contracts, donations, and fees	27,628
Capital subsidies and transfers	71,647
Other receipts for capital projects	246
Purchase or construction of capital assets	(217,517)
Principal paid on capital debt	(7,145)
Interest paid on capital debt	(12,102)
Net cash used by capital and related financing activities	(78,162)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of investments, net	(73,936)
Investment income	23,185
Net cash used by investing activities	(50,751)
Net decrease in cash and cash equivalents	(5,715)
Cash and cash equivalents, beginning of year	20,275
Cash and cash equivalents, end of year	\$14,560
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
Operating loss	(\$408,871)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	58,181
Change in assets and liabilities:	
Loans and notes receivable, net	(4,901)
Other receivables, net	1,032
Inventories	(721)
Other assets	(701)
Accounts payable	1,611
Salaries and wages payable	619
Accrued insurance claims	425
Deposit payable	3,515
Compensated absences payable	3,859
Deferred revenue	2,585
Other liabilities	3,734
NET CASH USED BY OPERATING ACTIVITIES	(339,633)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1

Summary of Significant Accounting Policies

Reporting Entity

The University is a separate public instrumentality that is part of the State university system of public universities, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor 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 are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education 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.

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

BLENDING COMPONENT UNIT

Based on the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University reporting entity as a blended component unit. The Self-Insurance Program was created on July 1, 2006, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes, and provides professional and general liability protection for faculty, medical residents, and students of the College of Medicine.

DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component

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

- *The Florida State University Foundation, Inc. (Foundation)*

The University's fund raising and private support programs are accounted for and reported separately by the Foundation. Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. Foundation expenses include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.

- *Seminole Boosters, Inc. (Boosters)*

The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. Boosters changed their fiscal year end from January 31 to June 30 to have the same fiscal period as the University. Boosters' statements shown in note 18 are for the 17 months period ended June 30, 2007.

- *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 England, Italy, Costa Rica, and other sites.

- *Florida State University Alumni Association, Inc.*

The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the Florida State

University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.

- *Florida State University Financial Assistance, Inc.*

The Financial Assistance organization was created for the purpose of securing bond financing in accordance with Section 1004.28, Florida Statutes. Seminole Boosters, Inc., maintains direct control of Financial Assistance and each year makes significant transfers to them to help service the bond debt. Financial Assistance changed their fiscal year end from January 31 to June 30 to have the same fiscal period as the University. Financial Assistance statements shown in note 18 are for the 17 months ended June 30, 2007.

- *The Florida State University Research Foundation, Inc.*

The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.

- *The John and Mable Ringling Museum of Art Foundation, Inc.*

The Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. An annual agreement is executed between the Museum and the Foundation to allow the Foundation to act as the direct-support organization for the Museum.

- *Florida Medical Practice Plan, Inc. (FMPP)*

The FMPP was incorporated on April 20, 2006. The FMPP's purpose is to improve and support medical education in The Florida State University College of Medicine.

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

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely

presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Condensed financial statements are not presented for the following direct-support organizations that were not operational during the 2006-07 fiscal year:

- The Florida State University Performing Arts Center Foundation, Inc., was approved by the Board of Trustees on September 15, 2006, to raise money for building maintenance and improvement for the Center in Sarasota, Florida.

- Florida State University Magnet Research and Development, Inc., was incorporated on March 5, 2007, to promote, encourage and assist the research and training activities of University faculty, staff, and students, and to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.

BASIS OF PRESENTATION

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

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic

NOTES TO FINANCIAL STATEMENTS

resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and 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 for not-for-profit organizations.

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

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

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

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

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

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

CAPITAL ASSETS

University capital assets consist of land, buildings, works of art and historical treasures, construction in progress, infrastructure and other improvements, furniture and equipment, library resources, and computer software and other capital assets. These assets are capitalized and recorded at cost on the date of acquisition or at estimated fair value on the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property, \$50,000 for new buildings, and \$100,000 for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

The University's component units capital assets consist of land, buildings, construction in progress, furniture and equipment, library resources, property under capital lease, and software and other capital assets. These assets are capitalized and recorded at cost on the date of acquisition or at estimated fair value on the date received in the case of gifts. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Component units have a capitalization threshold of \$1,000, except for The Florida State University Alumni Association, Inc., whose threshold for capital assets is \$500. All the component units compute depreciation on the straight-line basis over the following estimated useful lives:

- The Florida State University Foundation, Inc. (Foundation): Buildings, furniture and equipment, and computer software and other capital assets - 5 to 30 years
 - Seminole Boosters, Inc. (Boosters): Furniture and equipment – 5 to 7 years
 - Florida State University International Programs Association, Inc.: Buildings, and furniture and equipment – 5 to 40 years
 - Florida State University Alumni Association, Inc.: Furniture and equipment, and property under capital lease – 5 to 40 years
 - Florida State University Financial Assistance, Inc.: Buildings (stadium and facility improvements) – 15 to 40 years

- The Florida State University Research Foundation, Inc.: Property under capital lease and computer software and other capital assets – 16 to 17.75 years

- The John and Mable Ringling Museum of Art Foundation, Inc.: Buildings, and furniture and equipment – 3 to 10 years

- Florida State University School, Inc.: Buildings – 10 to 40 years; furniture and equipment – 3 to 20 years; and library resources – 5 to 10 years

NONCURRENT LIABILITIES. Noncurrent liabilities include principal amounts of bonds payable, installment purchases payable, capital leases payable, and compensated absences payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance 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

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

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. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Sections 218.415(17) and 1001.42(5), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

EXTERNAL INVESTMENT POOLS

The University reported investments at fair value totaling \$461,164,601 at June 30, 2007, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

STATE BOARD OF ADMINISTRATION DEBT

SERVICE ACCOUNTS

The University reported investments at fair value totaling \$209,000 at June 30, 2007, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of more than three months. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

NOTES TO FINANCIAL STATEMENTS

COMPONENT UNITS' INVESTMENTS

Investments held by the University's component units at June 30, 2007, are reported at fair value as follows:

INVESTMENT TYPE	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.	SEMINOLE BOOSTERS, INC.	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.	FLORIDA STATE UNIVERSITY SCHOOL, INC.	TOTAL
EXTERNAL INVESTMENT POOLS - SBA - LGSF	\$ 19,150,596	\$16,048,475	\$ 55,172,425	\$ -	\$ -	\$ 90,371,496
EXTERNAL INVESTMENT POOLS - SBA - CAMP	-	-	80,676,736	-	-	80,676,736
STOCKS AND OTHER						
EQUITY SECURITIES	285,011,072	38,996,465	-	-	-	324,007,537
U.S. GOVERNMENT OBLIGATIONS	51,930,869	2,236,034	-	1,718,050	1,182,339	57,067,292
REPURCHASE AGREEMENTS	-	7,578,451	-	-	-	7,578,451
BONDS AND NOTES	20,218,753	-	-	-	-	20,218,753
REAL ESTATE CONTRACTS	169,860	165,775	-	-	-	335,635
MONEY MARKET AND						
MUTUAL FUNDS	11,475,783	1,320,567	-	641,807	-	13,438,157
INVESTMENT AGREEMENTS	79,105,098	492,902	-	-	3,680,315	83,278,315
TOTAL COMPONENT UNITS' INVESTMENTS	\$467,062,031	\$66,838,669	\$135,849,161	\$2,359,857	\$4,862,654	\$676,972,372

EXTERNAL INVESTMENT POOLS

LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND

The Florida State University Foundation, Inc., Seminole Boosters, Inc., and The Florida State University Research Foundation, Inc., reported investments at fair value totaling \$19,150,596, \$16,048,475, and \$55,172,425, respectively, at June 30, 2007, in the Local Government Surplus Funds (LGSF) Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. These investments in the Local Government Surplus Funds 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 SBA 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, 2007.

COMMINGLED ASSET MANAGEMENT PROGRAM

The Florida State University Research Foundation, Inc. (Research Foundation), reported investments at fair value totaling \$80,676,736 at June 30, 2007, in the Commingled Asset Management Program

(CAMP) administered by the State Board of Administration (SBA). All securities purchased are consistent with Section 215.47, Florida Statutes, and may be loaned to qualified borrowers in accordance with Florida Statutes. These funds are invested in the CAMP Fixed Income Index Pool and the CAMP Domestic Equities Index Pool.

The Research Foundation's written investment policy authorizes investment in highly diversified index funds that utilize futures, options, and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risk. The Research Foundation relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. The SBA 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. These investment pools were not ranked by a nationally recognized rating agency as of June 30, 2007.

OTHER INVESTMENTS

For the component units, the majority of investments are those reported by The Florida State University Foundation, Inc. (Foundation). Because the Foundation reported under the FASB reporting model, disclosure of the various investment risk 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., investment policy limits endowment investments to United States government securities and uses a laddering process with maturities not to exceed five years 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 Seminole Boosters, Inc., and the Florida State University School, Inc., do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, and money market and mutual funds, have their future maturities at June 30, 2007, as follows:

INVESTMENT TYPE	INVESTMENT MATURITIES			
	Fair Value	Daily	Less Than 1 Year	1-5 Years
THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.				
U.S. GOVERNMENT OBLIGATIONS	\$1,718,050		\$723,445	\$994,605
MUTUAL FUNDS	641,807		641,807	
TOTAL	\$2,359,857		\$1,365,252	\$994,605
SEMINOLE BOOSTERS, INC.				
MONEY MARKET FUNDS	\$1,320,567	\$1,320,567		
FLORIDA STATE UNIVERSITY SCHOOL, INC.				
U.S. GOVERNMENT OBLIGATIONS	\$1,182,339	\$1,182,339		

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2007, The John and Mable Ringling Museum of Arts Foundation, Inc., had \$641,807 of mutual funds that were not rated, and the Seminole Boosters, Inc., had \$1,320,567 of money market funds rated as AAAM by *Standard and Poor's*.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the

component unit's name. The John and Mable Ringling Museum of Art Foundation, Inc., the Seminole Boosters, Inc., and the Florida State University School, Inc., do not have written investment policies addressing custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The John and Mable Ringling Museum of Art Foundation, Inc., investment policy provides that the maximum amount that may be invested in the securities of an individual issuer other than the U.S. Government and its agencies shall not exceed five percent of the market value of the portfolio. The Seminole Boosters, Inc., investment policy provides that investment in any one issuer must be limited to five percent at cost and seven percent of the market value of the portfolio. The Florida State University School, Inc., does not have a written investment policy addressing concentration of credit risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. These receivables, net of allowance for doubtful accounts, are summarized in the following table:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
STUDENT TUITION AND FEES	\$4,393,005
CONTRACTS AND GRANTS	22,684,392
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	53,858
SALES AND SERVICES OF AUXILIARY ENTERPRISES	3,930,938
INTEREST	1,188,149
OTHER	548,424
TOTAL ACCOUNTS RECEIVABLE, NET	\$32,798,766

Loans and Notes Receivable.

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

Allowance for Uncollectible Receivables.

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, loans and notes receivable, and contracts and grants receivable are reported net of allowances of \$2,603,198, \$1,377,210 and \$58,631 respectively, at June 30, 2007.

NOTE 5 DUE FROM STATE

This amount consists of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

NOTE 6 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2007. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net assets do not agree with amounts reported by the component units as due from and to the University.

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 are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.

- **Merchandise Inventory**

Those inventories maintained which are available for resale to individuals and other University departments, 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.

NOTE 8 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown on next page:

DESCRIPTION	Beginning Balance	Additions	Reductions	Ending Balance
NONDEPRECIABLE CAPITAL ASSETS:				
LAND	\$ 43,605,865	\$ 5,796,217	\$ -	\$ 49,402,082
WORKS OF ART AND HISTORICAL TREASURES	72,651,425	594,650	\$17,430	73,228,645
CONSTRUCTION IN PROGRESS (1)	118,850,113	198,468,462	179,636,318	137,682,257
TOTAL NONDEPRECIABLE CAPITAL ASSETS	\$235,107,403	\$204,859,329	\$179,653,748	\$260,312,984
DEPRECIABLE CAPITAL ASSETS:				
BUILDINGS (2)	\$903,029,132	\$198,899,593	\$5,684,027	\$1,096,244,698
INFRASTRUCTURE AND OTHER IMPROVEMENTS	103,807,527	5,451,182	-	109,258,709
FURNITURE AND EQUIPMENT	276,958,318	29,931,364	17,185,909	289,703,773
LIBRARY RESOURCES	88,251,618	6,426,206	296,129	94,381,695
OTHER CAPITAL ASSETS	28,280,396	602,392	1,292,509	27,590,279
TOTAL DEPRECIABLE CAPITAL ASSETS	1,400,326,991	241,310,737	24,458,574	1,617,179,154
LESS, ACCUMULATED DEPRECIATION:				
BUILDINGS (2) (3)	215,515,112	20,479,660	-	235,994,772
INFRASTRUCTURE AND OTHER IMPROVEMENTS	27,765,793	4,067,688	-	31,833,481
FURNITURE AND EQUIPMENT	190,365,370	22,269,516	11,888,462	200,746,424
LIBRARY RESOURCES	58,077,099	6,565,099	296,129	64,346,069
OTHER CAPITAL ASSETS	12,008,973	5,214,790	107,966	17,115,797
TOTAL ACCUMULATED DEPRECIATION (3)	503,732,347	58,596,753	12,292,557	550,036,543
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	\$896,594,644	\$182,713,984	\$12,166,017	\$1,067,142,611

NOTES:

(1) CONSTRUCTION IN PROGRESS INCLUDES THE GIFT OF THE NEW PRESIDENT'S HOUSE BUILT WITH PRIVATE AND IN-KIND CONTRIBUTIONS VALUED AT \$4,136,848.

(2) BUILDINGS ADDITIONS INCLUDE RESEARCH AND DEVELOPMENT BUILDINGS A AND B LOCATED AT INNOVATION PARK, WHICH WERE TRANSFERRED FROM THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC., IN THE AMOUNT OF \$24,342,062, WITH RELATED ACCUMULATED DEPRECIATION TOTALING \$3,135,551.

(3) ADDITIONS FOR ACCUMULATED DEPRECIATION INCLUDE \$415,524 OF ADJUSTMENTS.

NOTES TO FINANCIAL STATEMENTS

COMPONENT UNITS' CAPITAL ASSETS

The University's component units' capital activity for fiscal year ended June 30, 2007, is shown below:

DESCRIPTION	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.	SEMINOLE BOOSTERS, INC.	FLORIDA STATE UNIVERSITY INTERNATIONAL PROGRAMS ASSOCIATION, INC.	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION INC.	FLORIDA STATE UNIVERSITY FINANCIAL ASSISTANCE, INC.	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC. (1)	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.	FLORIDA STATE UNIVERSITY SCHOOL, INC.	TOTAL
NONDEPRECIABLE CAPITAL ASSETS:									
LAND	\$ 119,000	\$ 14,351,770	\$ 4,527,895	\$ -	\$ -	\$ 785,000	\$ -	\$ -	\$ 19,783,665
CONSTRUCTION IN PROGRESS	-	-	2,587,147	-	-	985,865	-	-	3,573,012
TOTAL NONDEPRECIABLE CAPITAL ASSETS	119,000	14,351,770	6,915,042	-	-	1,770,865	-	-	23,156,677
DEPRECIABLE CAPITAL ASSETS:									
BUILDINGS	1,402,935	-	14,305,273	-	105,645,841	-	1,010,210	26,806,361	149,170,620
FURNITURE AND EQUIPMENT	1,112,133	8,210,611	1,519,484	339,896	-	-	684,778	1,547,144	13,414,046
LIBRARY RESOURCES	-	-	-	-	-	-	-	256,364	256,364
PROPERTY UNDER CAPITAL LEASE	-	-	-	66,173	-	8,035,394	-	-	8,101,567
COMPUTER SOFTWARE AND OTHER CAPITAL ASSETS	1,001,940	-	-	-	-	723,246	-	-	1,725,186
TOTAL DEPRECIABLE CAPITAL ASSETS	3,517,008	8,210,611	15,824,757	406,069	105,645,841	8,758,640	1,694,988	28,609,869	172,667,783
LESS, ACCUMULATED DEPRECIATION:									
BUILDINGS	757,284	-	4,957,441	-	21,058,031	-	905,410	3,905,370	31,583,536
FURNITURE AND EQUIPMENT	712,873	4,035,891	805,562	115,928	-	-	594,435	964,522	7,229,211
LIBRARY RESOURCES	-	-	-	-	-	-	-	230,793	230,793
PROPERTY UNDER CAPITAL LEASE	-	-	-	10,894	-	5,296,861	-	-	5,307,755
COMPUTER SOFTWARE AND OTHER CAPITAL ASSETS	31,000	-	-	-	-	-	-	-	31,000
TOTAL ACCUMULATED DEPRECIATION	1,501,157	4,035,891	5,763,003	126,822	21,058,031	5,296,861	1,499,845	5,100,685	44,382,295
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	\$2,015,851	\$ 4,174,720	\$10,061,754	\$279,247	\$84,587,810	\$3,461,779	\$195,143	\$23,509,184	\$128,285,488

(1) THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC., AMOUNTS DO NOT INCLUDE THE PROPERTY UNDER CAPITAL LEASE AND THE CORRESPONDING ACCUMULATED DEPRECIATION FOR BUILDINGS A AND B WHICH WERE TRANSFERRED TO THE UNIVERSITY. THESE AMOUNTS ARE REPORTED IN THE UNIVERSITY'S CAPITAL ASSETS BUILDINGS IN THE AMOUNT OF \$24,342,062 AND ACCUMULATED DEPRECIATION IN THE AMOUNT OF \$3,135,551.

NOTE 9 DEFERRED REVENUE

Deferred revenue includes General Revenue appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2007, to spend the funds, and other revenues received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the University reported the following amounts as deferred revenue:

DESCRIPTION	AMOUNT
CAPITAL APPROPRIATIONS	\$ 2,000,000
SPONSORED RESEARCH	6,046,236
HOUSING FEES	6,436,602
ATHLETIC REVENUES	11,200,976
TOTAL DEFERRED REVENUE	\$25,683,814

NOTE 10 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2007, 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, 2007, is shown below:

DESCRIPTION	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION
BONDS PAYABLE	\$228,517,256	\$21,230,000	\$7,213,597	\$242,533,659	\$8,704,404
LOANS AND NOTES PAYABLE	215,284	3,949,543	215,283	3,949,544	3,949,544
INSTALLMENT PURCHASES PAYABLE	750,783	2,827,173	602,338	2,975,618	940,231
COMPENSATED ABSENCES PAYABLE	43,934,980	3,859,218	-	47,794,198	3,379,853
SELF INSURANCE CLAIMS PAYABLE	-	425,269	-	425,269	-
TOTAL LONG-TERM LIABILITIES	\$273,418,303	\$32,291,203	\$8,031,218	\$297,678,288	\$16,974,032

Bonds Payable

Auxiliary revenue bonds were issued to construct student parking garages, housing facilities, and other student service facilities. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of traffic and parking fees, housing rental revenues, and an assessed transportation fee based on credit hours. State University System bonds were issued to construct various University facilities. These bonds are secured by and payable from the capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

On November 1, 2001, the State Board of Education on behalf of the Florida State University Research Foundation, Inc. (Research Foundation), a component unit of the University, issued \$22,590,000

in revenue bonds to finance the construction of research and development buildings A and B located at Innovation Park for the benefit of the University. The Research Foundation entered into a lease agreement with the University whereby the Research Foundation leased the premises and agreed to pay lease payments sufficient to cover amounts necessary for bond payments and maintaining required reserve accounts directly to the State Board of Administration. The Research Foundation also entered into a guaranty agreement with the State Board of Administration consenting to the pledging of the lease payments as security for the 2001 bonds. In prior fiscal years, the buildings and corresponding debt has been reported on the Research Foundation's financial statements. During the 2006-07 fiscal year, the Research Foundation transferred the buildings to the University. Therefore, the buildings and the corresponding debt are now reported on the University's financial statements. The University had the following bonds payable outstanding at June 30, 2007:

<u>BOND TYPE AND SERIES</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
AUXILIARY REVENUE BONDS:				
1993 HOUSING	\$ 3,500,000	\$ 2,200,000	3.0	2022
2001 HOUSING	9,000,000	7,980,886	4.0 - 5.0	2030
2001 PARKING	10,310,000	8,403,643	4.1 - 5.125	2022
2001A HOUSING	25,500,000	23,144,395	4.0 - 5.0	2031
2003A PARKING	5,585,000	3,656,626	2.4 - 3.75	2014
2003B PARKING	15,645,000	13,332,756	2.0 - 4.5	2023
2004A HOUSING	23,145,000	20,808,930	2.0 - 4.5	2034
2005A PARKING	11,270,000	10,615,276	3.5 - 5.0	2025
2005A HOUSING	71,285,000	74,263,524	3.5 - 5.0	2035
2005A DINING	10,000,000	9,510,000	5.083 (2)	2025
TOTAL AUXILIARY REVENUE BONDS	185,240,000	173,916,036		
STATE UNIVERSITY SYSTEM REVENUE BONDS:				
1997A SERIES	13,060,541	10,717,532	4.5 - 5.0	2016
1998 SERIES	7,501,901	5,590,923	4.1 - 5.0	2023
2001 SERIES	8,130,986	6,880,491	4.0 - 5.0	2026
2003A SERIES	10,512,253	6,266,663	5.0	2013
2005A SERIES	3,947,642	3,627,550	3.625 - 4.125	2022
2006A SERIES	14,660,596	14,789,464	4.0 - 5.0	2030
TOTAL STATE UNIVERSITY SYSTEM REVENUE BONDS	57,813,919	47,872,623		
2001 RESEARCH FOUNDATION REVENUE BONDS	22,590,000	20,745,000	4.0 - 4.875	2031
TOTAL	\$265,643,919	\$242,533,659		

NOTES:

(1) AMOUNT OUTSTANDING INCLUDES UNAMORTIZED BOND DISCOUNTS AND PREMIUMS, AND DEFERRED LOSSES ON REFUNDING ISSUES.

(2) RATE LISTED IS FOR INTEREST PAYMENTS THROUGH JULY 1, 2012. RATES ARE STILL TO BE DETERMINED FOR INTEREST PAYMENTS DUE AFTER JULY 1, 2012.

NOTES TO FINANCIAL STATEMENTS

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

<u>FISCAL YEAR ENDING JUNE 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$8,704,404	\$11,011,593	\$19,715,997
2009	8,993,550	10,687,822	19,681,372
2010	9,378,590	10,340,381	19,718,971
2011	9,727,930	9,969,834	19,697,764
2012	10,123,038	9,574,194	19,697,232
2013-2017	49,600,459	41,293,787	90,894,246
2018-2022	52,019,347	30,003,816	82,023,163
2023-2027	44,106,494	17,768,391	61,874,885
2028-2032	34,632,241	7,897,287	42,529,528
2033-2035	12,790,000	1,238,125	14,028,125
SUBTOTAL	240,076,053	149,785,230	389,861,283
LESS: UNAMORTIZED LOSS ON REFUNDINGS	(1,298,853)		(1,298,853)
PLUS: UNAMORTIZED PREMIUMS AND DISCOUNTS, NET	3,756,459		3,756,459
TOTAL	\$242,533,659	\$149,785,230	\$392,318,889

Loans and Notes Payable. The University has a line of credit with Sallie Mae not to exceed \$50 million, which is used to provide loans to graduate students. The student loans are sold 61-90 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 by the Federal Reserve. The \$3,949,544 amount reported as loans and notes payable represents the total amount of line of credit received from and payable to Sallie Mae as of June 30, 2007.

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at \$7,708,437. The stated interest rates ranged from 1.27 percent to 6.44 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

<u>FISCAL YEAR ENDING JUNE 30</u>	<u>AMOUNT</u>
2008	\$1,028,308
2009	887,383
2010	786,760
2011	260,157
2012	202,098
TOTAL MINIMUM PAYMENTS	3,164,706
LESS: AMOUNT REPRESENTING INTEREST	189,088
PRESENT VALUE OF MINIMUM PAYMENTS	2,975,618

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulation 6C-5.920 and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$47,794,198. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

NOTE 11 RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit

retirement plan (Plan). FRS 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 eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides

retirement, disability, and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

CLASS OR PLAN	PERCENT OF GROSS SALARY	
	EMPLOYEE	EMPLOYER (A)
FLORIDA RETIREMENT SYSTEM, REGULAR	0.00	9.85
FLORIDA RETIREMENT SYSTEM, SENIOR MANAGEMENT SERVICE	0.00	13.12
FLORIDA RETIREMENT SYSTEM, SPECIAL RISK	0.00	20.92
TEACHERS' RETIREMENT SYSTEM, PLAN E	6.25	11.35
DEFERRED RETIREMENT OPTION PROGRAM		
APPLICABLE TO MEMBERS FROM ALL OF THE ABOVE CLASSES OR PLAN	0.00	10.91
FLORIDA RETIREMENT SYSTEM, REEMPLOYED RETIREE	(B)	(B)

NOTES:
 (A) EMPLOYER RATES INCLUDED 1.11 PERCENT FOR THE POST-EMPLOYMENT HEALTH INSURANCE SUBSIDY. ALSO, EMPLOYER RATES, OTHER THAN THE DROP PARTICIPANTS, INCLUDE .05 PERCENT FOR ADMINISTRATIVE COSTS OF THE PUBLIC EMPLOYEE OPTIONAL RETIREMENT PROGRAM.
 (B) CONTRIBUTION RATES ARE DEPENDENT UPON RETIREMENT CLASS OR PLAN IN WHICH REEMPLOYED.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$11,659,426, \$11,855,860, and \$15,239,238, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on

salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 463 University participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$1,625,642.

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

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The

NOTES TO FINANCIAL STATEMENTS

Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

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

There were 2,182 University participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$17,095,118 and employee contributions totaled \$8,524,039.

NOTE 12 POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2006-07 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 11.

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 2006-07 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 construction commitments at June 30, 2007, are as follows:

PROJECT DESCRIPTION	TOTAL COMMITTED	COMPLETED TO DATE	COMMITTED BALANCE
UNIVERSITY CONCERT HALL	\$ 7,303,045	\$ -	\$ 7,303,045
CHEMISTRY BUILDING	60,765,954	48,146,195	12,619,759
MARINE SCIENCE RESEARCH AND TRAINING	11,115,053	2,698,175	8,416,878
LIFE SCIENCES TEACHING AND RESEARCH	47,938,221	40,081,324	7,856,897
HUMAN PERFORMANCE LAB AND TRACK FACILITY	5,453,459	359,556	5,093,903
RUBY DIAMOND AUDITORIUM	12,429,910	-	12,429,910
STUDENT AFFAIRS FACILITY (STUDENT SUCCESS BUILDING)	12,583,387	1,139,363	11,444,024
PANAMA CITY ACADEMIC BUILDING	32,153,453	5,030,492	27,122,961
SUBTOTAL	189,742,482	97,455,105	92,287,377
OTHER PROJECTS (1)	74,900,926	40,227,152	34,673,774
TOTAL	\$264,643,408	\$137,682,257	\$126,961,151

NOTE (1) INDIVIDUAL PROJECTS WITH COMMITMENT BALANCES LESS THAN \$5 MILLION AT JUNE 30, 2007.



FSU's Joe O'Shea named Rhodes Scholar

NOTE 14

RISK MANAGEMENT PROGRAMS

Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2006-07 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. 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.

University Self-Insurance Program

The Florida State University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes on July 1, 2006. The Self-Insurance Program provides professional and general liability protection for the University for claims and actions arising from the clinical activities of the faculty, medical residents, and students of the College of Medicine, and includes the College's two residency programs based at Sacred Heart Hospital in Pensacola, Florida.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program provides: \$250,000 per occurrence protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and

act as Good Samaritans; and student protections of \$100,000 for a claim arising from an occurrence for any one person, \$200,000 for all claims arising from an occurrence, and professional liability required by a hospital for educational purposes not to exceed per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liabilities for the Self-Insurance Program during the 2006-07 fiscal year are presented in the following table:

FISCAL YEAR ENDED	CLAIMS LIABILITIES BEGINNING OF YEAR	CURRENT CLAIMS/ CHANGES IN ESTIMATES	CLAIM PAYMENTS	CLAIMS LIABILITIES END OF YEAR
JUNE 30, 2007	\$ -	\$425,269	\$ -	\$425,269

NOTE 15

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 16

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:

NOTES TO FINANCIAL STATEMENTS

<u>FUNCTIONAL CLASSIFICATION</u>	<u>AMOUNT</u>
INSTRUCTION	\$239,289,143
RESEARCH	107,624,236
PUBLIC SERVICE	37,547,325
ACADEMIC SUPPORT	44,209,195
STUDENT SERVICES	27,730,776
INSTITUTIONAL SUPPORT	64,835,794
OPERATION AND MAINTENANCE OF PLANT	55,226,044
SCHOLARSHIPS AND FELLOWSHIPS	59,670,976
DEPRECIATION	58,181,229
AUXILIARY ENTERPRISES	135,277,668
LOAN OPERATION	645,718
TOTAL OPERATING EXPENSES	\$830,238,104

NOTE 17 SEGMENT INFORMATION

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

	<u>CONDENSED STATEMENT OF NET ASSETS</u>	
	<u>PARKING FACILITY REVENUE BONDS</u>	<u>HOUSING FACILITY REVENUE BONDS</u>
ASSETS		
CURRENT ASSETS	\$4,734,494	\$17,375,160
CAPITAL ASSETS, NET	48,287,771	172,135,134
OTHER NONCURRENT ASSETS	4,223,049	22,105,734
TOTAL ASSETS	57,245,314	211,616,028
LIABILITIES		
CURRENT LIABILITIES	2,160,256	13,351,095
NONCURRENT LIABILITIES	34,347,668	125,941,583
TOTAL LIABILITIES	36,507,924	139,292,678
NET ASSETS		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	12,480,447	52,701,538
RESTRICTED - EXPENDABLE	4,704,881	12,876,641
UNRESTRICTED	3,552,062	6,745,171
TOTAL NET ASSETS	\$20,737,390	\$72,323,350

	<u>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</u>	
	<u>PARKING FACILITY REVENUE BONDS</u>	<u>HOUSING FACILITY REVENUE BONDS</u>
OPERATING REVENUES	\$8,375,043	\$22,476,908
OPERATING EXPENSE	3,832,164	11,321,408
DEPRECIATION EXPENSE	995,769	2,785,482
OPERATING INCOME	3,547,110	8,370,018
NET NONOPERATING EXPENSES	(1,337,175)	(334,970)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,209,935	8,035,048
OTHER REVENUES, (EXPENSES), GAINS, OR (LOSSES)	700,323	(1,216,395)
INCREASE IN NET ASSETS NET ASSETS, BEGINNING OF YEAR	2,910,258	6,818,653
NET ASSETS, END OF YEAR	\$20,737,390	\$72,323,350

	<u>CONDENSED STATEMENT OF CASH FLOWS</u>	
	<u>PARKING FACILITY REVENUE BONDS</u>	<u>HOUSING FACILITY REVENUE BONDS</u>
NET CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES	\$4,841,044	\$16,017,884
NONCAPITAL FINANCING ACTIVITIES	6,177,148	36,184,942
CAPITAL AND RELATED FINANCING ACTIVITIES	(12,555,744)	(52,528,615)
INVESTING ACTIVITIES	1,476,963	1,785,788
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,589)	1,459,999
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,360,696	6,948,096
CASH AND CASH EQUIVALENTS, END OF YEAR	\$4,300,107	\$8,408,095

NOTE 18

COMPONENT UNITS

The University has eleven component units as discussed in note 1, nine of which had activity during the 2006-07 fiscal year. These

component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

	DIRECT-SUPPORT ORGANIZATIONS								OTHER	TOTAL
	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC. 6-30-07	SEMINOLE BOOSTERS, INC. 6-30-07	FLORIDA STATE UNIVERSITY INTERNATIONAL PROGRAMS ASSOCIATION, INC. 9-30-06	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC. 6-30-07	FLORIDA STATE UNIVERSITY FINANCIAL ASSISTANCE, INC. 6-30-07	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC. 6-30-07	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC. 6-30-07	FLORIDA MEDICAL PRACTICE PLAN, INC. 12-31-06	FLORIDA STATE UNIVERSITY SCHOOL, INC. 6-30-07	
CONDENSED STATEMENT OF NET ASSETS										
ASSETS:										
CURRENT ASSETS	\$28,276,900	\$79,581,552	\$4,948,924	\$887,748	\$3,420,837	\$55,546,002	\$3,400,868	\$684,178	\$9,507,915	\$186,254,904
CAPITAL ASSETS, NET	2,134,851	18,526,490	16,976,796	279,247	84,587,810	5,232,644	195,143	-	23,509,184	151,442,165
OTHER NONCURRENT ASSETS	474,758,210	74,707,710	11,104	186,834	4,892,523	80,676,736	-	-	-	635,233,117
TOTAL ASSETS	505,169,961	172,815,732	21,936,824	1,353,829	92,901,170	141,455,382	3,596,011	684,178	33,017,099	972,930,186
LIABILITIES:										
CURRENT LIABILITIES	7,705,833	41,746,229	5,128,046	198,585	5,051,688	35,403,944	52,309	641,835	1,775,277	97,703,746
NONCURRENT LIABILITIES	3,349,992	4,516,992	9,763,582	1,536,821	72,215,702	426,526	-	-	20,808,128	112,617,743
TOTAL LIABILITIES	11,055,825	46,263,221	14,891,628	1,735,406	77,267,390	35,830,470	52,309	641,835	22,583,405	210,321,489
NET ASSETS:										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT										
RESTRICTED	482,117,798	95,416,332	-	240,464	-	-	2,458,420	-	85,605	580,316,617
UNRESTRICTED	9,861,487	16,448,368	3,424,085	(901,288)	(585,366)	101,043,829	890,137	42,343	8,110,907	138,334,502
TOTAL NET ASSETS	\$494,114,136	\$126,552,511	\$7,045,196	\$(381,577)	\$15,633,780	\$105,624,912	\$3,543,702	\$42,343	\$10,433,694	\$762,608,697
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS										
OPERATING REVENUES	\$23,546,331	\$51,187,366	\$11,376,200	\$2,410,981	\$5,355,033	\$11,797,660	\$1,643,788	\$2,795,997	\$11,640,897	101,754,253
OPERATING EXPENSES	69,238,030	37,191,706	9,987,147	1,870,217	3,950,852	13,300,588	1,946,658	2,753,808	11,633,683	151,872,689
OPERATING INCOME (LOSS)	(45,691,699)	(6,004,340)	1,389,053	540,764	1,404,181	(1,502,928)	(302,870)	42,189	7,214	(50,118,436)
NET NONOPERATING REVENUES (EXPENSES)	66,924,728	(6,083,402)	(775,116)	1,272,741	(4,619,649)	10,937,416	262,448	154	(777,114)	67,142,206
OTHER REVENUES OR GAINS	19,286,873	14,805,563	-	-	2,720,000	-	2,349	-	2,407,900	39,222,685
INCREASE (DECREASE) IN NET ASSETS	40,519,902	2,717,821	613,937	1,813,505	(495,468)	9,434,488	(38,073)	42,343	1,638,000	56,246,455
NET ASSETS, BEGINNING OF YEAR	453,594,234	123,834,690	6,431,259	(2,195,082)	16,129,248	96,190,424	3,581,775	-	7,929,766	705,496,314
ADJUSTMENT TO BEGINNING NET ASSETS									865,928	865,928
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	453,594,234	123,834,690	6,431,259	(2,195,082)	16,129,248	96,190,424	3,581,775	-	8,795,694	706,362,242
NET ASSETS, END OF YEAR	\$494,114,136	\$126,552,511	\$7,045,196	\$(381,577)	\$15,633,780	\$105,624,912	\$3,543,702	\$42,343	\$10,433,694	\$762,608,697

NOTES TO FINANCIAL STATEMENTS

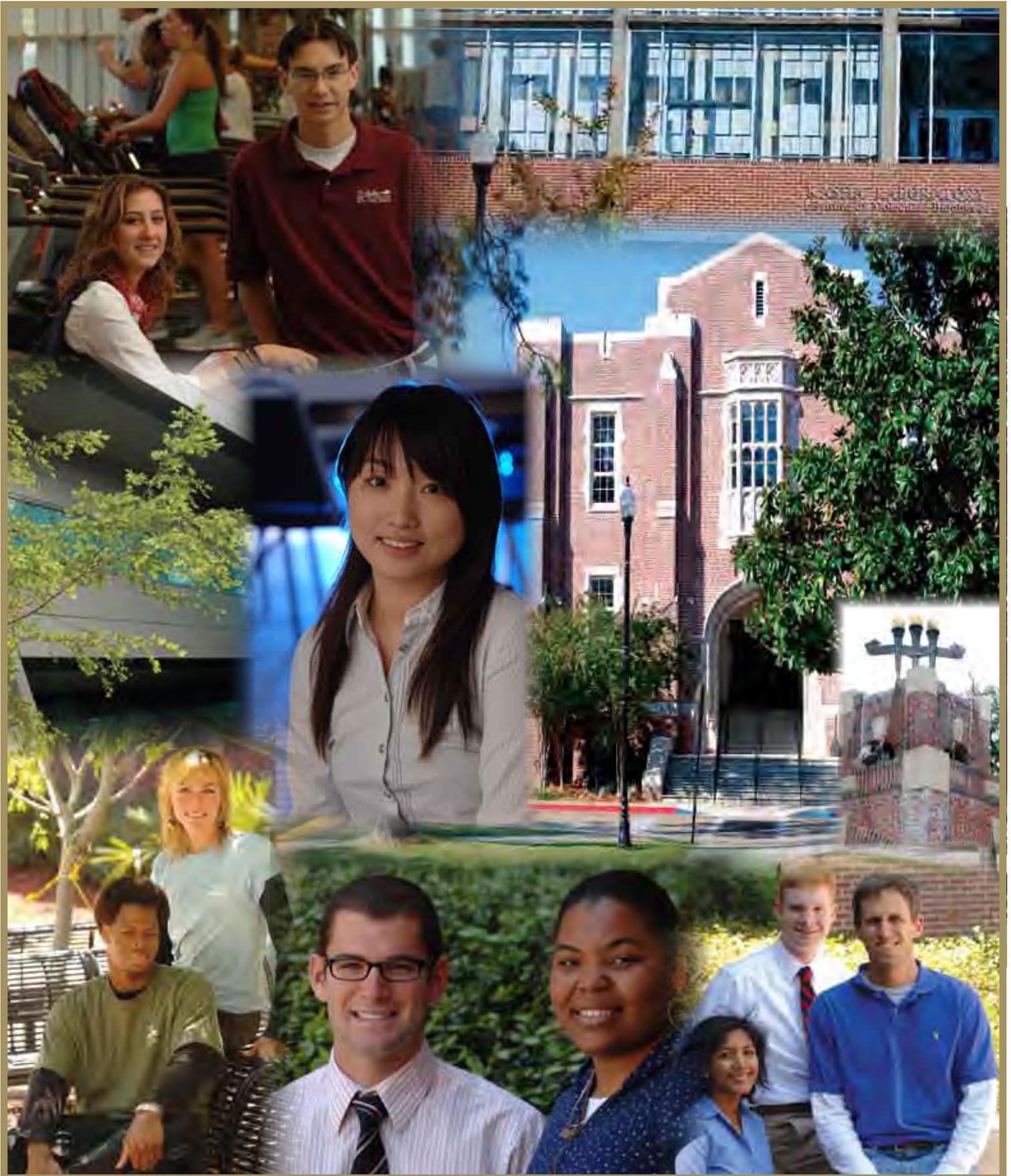
NOTE 19 **SUBSEQUENT EVENTS**

On July 17, 2007, the University received a distribution for the sale of Florida State Parking Facility Revenue Bonds, Series 2007A with a par value of \$13,230,000. The proceeds from these bonds will be used for the construction of a parking garage on campus.

As discussed in note 3, at June 30, 2007, the University's component units had \$90,371,496 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool).

On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the University and the State Board of Administration. The University's component units had \$101,325,660 invested in the Pool as of March 6, 2008. Moneys placed in the Pool subsequent to the December 4, 2007, restructuring are not subject to the temporary restrictions or redemption fees.





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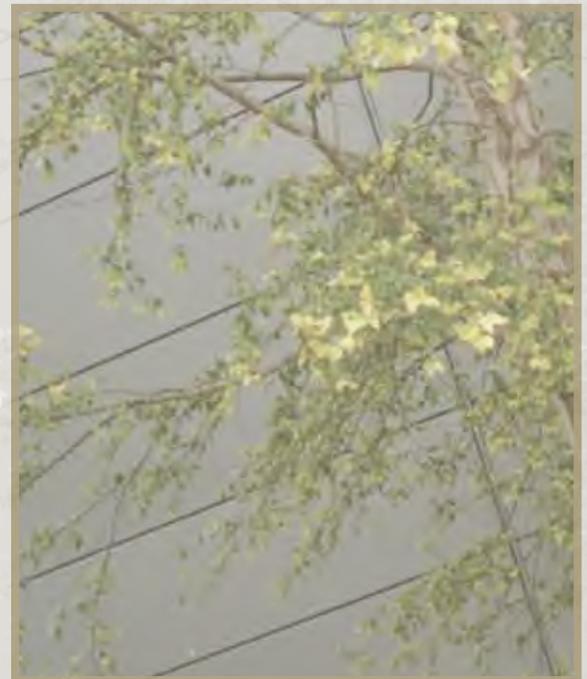
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DURING THE FISCAL YEAR COVERED BY THIS REPORT, THE UNIVERSITY CONTROLLER'S OFFICE WAS LED BY OUR COLLEAGUE AND FRIEND, TOM HARRISON. HE LED WITH INTEGRITY.

WE WISH TO THANK HIM FOR 26 YEARS OF DEDICATED SERVICE TO THE UNIVERSITY.



FLORIDA STATE
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