



FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2016-2017



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MESSAGE FROM THE PRESIDENT

As we welcome a new fiscal year, I am proud to reflect on the accomplishments of Florida State University's students, faculty, and staff. The university has made considerable progress as we endeavor to continually advance our academic mission, transform the lives of our students, and create exceptional value for the State of Florida.

The past twelve months were defined by remarkable academic success. Our historically strong four-year graduation rate increased by five percentage points to 65 percent, earning FSU a place among the top 20 public

universities nationally. More students than ever seek to attend Florida State: a record 42,325 students submitted applications for admission to the 2017 summer and fall semesters, representing a 16 percent increase over the prior year. This fall, we welcomed the most academically talented class in the university's history with an impressive average GPA of 4.1 and an average ACT score of 29.

These achievements demonstrate the substance behind our significant strides toward becoming ranked among the Top 25 public universities in the nation. Florida State leapt forward five places to number 33 – the greatest gain of all of the Top 50 public universities – in the U.S. News & World Report's "Best Colleges 2018" guidebook.

Our faculty are driven by their passion to innovate, discover, and expand knowledge. Evidence of their outstanding efforts came last year when FSU was recognized among the top 50 universities worldwide for U.S. patents granted. We are working hard to hire even more distinguished faculty with the dual purpose of broadening our impact in vital research areas as well as enriching the student experience through an enhanced student/faculty ratio.

Alumni and friends continue to promote our success through their generous and purposeful giving. Florida State University's "Raise the Torch" campaign has energized our community and is set to achieve its \$1 billion goal well before its end date next year. FSU's alumni continue to give at a rate that is among the best in the country. The new Jim Moran School of Entrepreneurship welcomed its inaugural class this fall, less than two years after Jan Moran and the Jim Moran Foundation gave a transformative \$100 million to enable Florida State's singular leadership in the realm of entrepreneurial education.

Our newly adopted five-year strategic plan reinforces our upward momentum and outlines a future centered on our strengths. Faculty, students, staff, and alumni from all of our colleges, programs, and disciplines provided input for this plan. FSU is setting its sights on six key priorities: committing to continuous innovation; pursuing excellence across all of our academic programs; realizing the full potential of diversity and inclusion; ensuring student success on campus and beyond; preparing our graduates for 21st century careers; and investing strategically in our institution and reputation.

Thanks to the dedicated work of the entire Florida State family, we look to the future with great optimism. We have set our sights high, and we know the way forward.

John Thrasher, President
Florida State University



KYLE C. CLARK

INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

Florida State University has achieved extraordinary success strategically, financially, and operationally during the past fiscal year. It is my pleasure to share several notable accomplishments as I present Florida State University's 2016-2017 Annual Financial Report.

STRATEGIC PLAN

Our new five-year strategic plan, "The Future is Florida State," builds on FSU's mission, strengths, and core values to provide an ambitious framework as we endeavor to become among the most entrepreneurial and innovative universities in the nation. The plan was the result of contributions from faculty, students, staff, and alumni across FSU. We have focused on several fundamental goals that work together to illuminate

the path forward. These objectives have been incorporated into our budgeting process to ensure that resources are aligned with priorities.

PREEMINENCE & PERFORMANCE FUNDING

Florida State University has completed its third year as one of two preeminent universities designated by the Florida Legislature. Again, FSU met all 12 of the required metrics, and preeminence- and performance- based funding increased by \$20.8 million and \$2.9 million, respectively. These resources have been utilized to make investments in faculty hires, improve recruiting tools for prospective students, enhance financial aid offerings, create additional opportunities for need-based and merit-based scholarships, as well as fund efforts to enhance our strong graduation and retention rates.

OPERATIONAL EFFECTIVENESS

For the sixth consecutive year, Florida State University is among the most efficient of the nation's highest ranked universities, according to a new list by U.S. News & World Report. FSU is No. 2 among national universities on the list and has placed first or second every year since 2013.

- FSU's outstanding reputation for efficiency reflects how deeply we take to heart our stewardship as a public institution of the State of Florida. Many key initiatives and accomplishments over the past year clearly demonstrate our commitment to continuously improving on this strength.
- Florida State announced an innovative new dining services contract with Sodexo. Worth more than \$173 million over 10 years, this contract merges residential, retail, concessions, and catering and includes unique components such as locally sourced menu options, internships and scholarships for students, funding for sustainability initiatives, and highlights celebrity chef and FSU alumnus Art Smith as our campus Culinary Ambassador.
- Cost savings and cost avoidance have resulted from the development and introduction of a research asset management system. This web-based portal catalogs, tracks, and promotes the shared use of scientific equipment across campus and leverages existing technologies to meet an emerging need. The system was awarded a Prudential Productivity Award by Florida TaxWatch.
- We continued to hone our budgeting system and policies as we strive toward greater transparency and efficiency for campus users. The system was awarded a Prudential Productivity Award by Florida TaxWatch and was recognized by the Southern Association of College and University Business Officers as an outstanding business practice.
- FSU's Procurement Services office was recognized for the second year in a row by the National Procurement Institute's Achievement of Excellence in Procurement Award. Among other initiatives, a new on-campus lab supply service opened its doors, providing enhanced service and inventory control as well as cost savings.
- Lean principles and practices have been used to analyze and further improve administrative processes, and emphasize continuous improvement, employee engagement and customer satisfaction. Significant improvements have been made in the vehicle immobilization process and facilities work order system.
- The Office of Inspector General Services became the first among its peers to receive accreditation from the Commission for Florida Law Enforcement Accreditation.
- We continue to realize cost savings and cost avoidance of more than \$39 million by negotiating, maintaining, and expanding the use of strategic sourcing, shared initiatives, buying consortiums, and enterprise software agreements that support strategically aligned initiatives across the University community. The university community has focused on strategies for streamlining operations, reducing costs and optimizing processes and policies, along with new services products, services and standards that benefit students, faculty and staff.

FACILITIES

Construction crews across campus are working diligently to bring a variety of facilities improvement projects to fruition.

- Magnolia and Azalea Halls, Phase 2 of the \$120 million residence hall project, opened for occupancy at the start of the 2017-2018 academic year. This complex includes a unique food service concept situated along an active roadway adjacent to campus.
- The Jim Moran School of Entrepreneurship and Jim Moran Institute for Global Entrepreneurship will occupy the renovated Guaranty Bank Building in downtown Tallahassee this spring. This one-of-a-kind facility will accommodate collaboration and connection in support of FSU's efforts to lead the way in entrepreneurial education.
- The new Black Student Union will open this spring. In 2016, the Florida Legislature awarded \$1.5 million to support the construction of the union, which houses exhibit space, student lounge areas, and multipurpose spaces.
- Florida State is initiating work to conceptualize the Oglesby Union expansion project adjacent to the soon-to-be-completed reconstructed Earth, Ocean, and Atmospheric Science (EOAS) building. Together, these two projects will transform a vital entryway to campus, offering a modern and student-centered introduction to FSU.

If the achievements of the past twelve months are any indication, the Florida State University community has much to look forward to in the coming year.



UNIVERSITY OVERVIEW

Florida State University - A Component Unit of the State of Florida



ABOUT FSU

Florida State University is a premier, comprehensive, graduate research university offering a broad array of academic and professional programs at all degree levels. Located in Tallahassee, Florida's capital city, and founded in 1851, FSU is the oldest of the twelve public institutions of higher learning in the State University System. The university is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is officially designated as a preeminent research university in the state by the Florida Legislature.

MISSION AND VISION

Florida State University preserves, expands, and disseminates knowledge in the sciences, technology, arts, humanities, and professions, while embracing a philosophy of learning strongly rooted in the traditions of the liberal arts. The university is dedicated to excellence in teaching, research, creative endeavors, and service. The university strives to instill the strength, skill, and character essential for lifelong learning, personal responsibility, and sustained achievement within a community that fosters free inquiry and embraces diversity.

Florida State University endeavors to be among the nation's most entrepreneurial and innovative universities, transforming the lives of our students and shaping the future of our state and society through exceptional teaching, research, creative activity, and service. We strive to amplify these efforts through our distinctive climate – one that places a premium on interdisciplinary inquiry and draws from the rich intellectual and personal diversity of our students, faculty, staff, and alumni. These three forces – entrepreneurship, interdisciplinary, and diversity – deepen FSU's impact and result in a powerful return to our students and the people of Florida for their continued support and trust.

ACADEMICS

Florida State University offers leading undergraduate, graduate, and professional programs that consistently rank among the nation's top twenty-five public universities. Baccalaureate degrees are offered in 107 programs, master's degrees in 126 programs, advanced master's/specialist degrees in 25 programs, doctorates in 80 programs, and three professional degrees.

STUDENTS

Designated as a Carnegie Research University, Florida State awards more than 3,000 graduate and professional degrees each year, and is recognized as a national leader in the number of doctorates awarded to African-American students and in the graduation rate of African-American undergraduates.

During the Fall 2016 semester, there were 22 freshmen and 59 total undergraduate National Merit Scholars enrolled at Florida State University. The middle 50 percent high school GPA for the Fall 2016 freshman class was 3.8-4.3 and middle 50 percent SAT scores were 1160-1290.

With more than 41,000 students enrolled in Fall 2016, the student body was comprised of 78 percent undergraduates, 19 percent graduates, and 3 percent unclassified. Our student body is diverse and represents every county in Florida, all 50 states, and 130 countries. Minorities represent 33 percent, and women represent 55 percent of our students.



Florida State University - A Component Unit of the State of Florida



RESEARCH

DIVERSITY

VETERANS

The Florida State University Veterans Alliance represents the university's campus-wide commitment to veteran support and success. The Veterans Alliance encompasses FSU's initiatives that ease the transition from military service to campus life, foster a community of past, present, and future veterans, raise awareness of veterans issues among campus and local communities, and support student veterans through graduation and into rewarding careers and graduate-education programs. It is the goal of the Veterans Alliance that FSU be the most veteran-friendly and veteran-empowering university in the country.

FLORIDA STATE UNIVERSITY IN 2016-17

FSU's rankings and achievements during fiscal year 2016-17 include:

- The University jumped five places, the greatest gain of all the Top 50 public universities, in the *U.S. News & World Report's* "Best Colleges 2017" guidebook
- FSU was ranked by *Kiplinger's Personal Finance* as the 12th best value among public colleges for out-of-state students, a seven-place jump over last year
- Florida State was recognized for a second consecutive year by *INSIGHT Into Diversity* magazine as a "Diversity Champion" in higher education
- FSU was one of four universities to earn the 2017 Senator Paul Simon Award for Campus Internationalization for the University's extensive offerings in global education
- University researchers brought in record funding of \$35.8 million from the National Institutes of Health, more than double the amount the University received five years ago
- College of Motion Picture Arts alumnus Barry Jenkin's film "Moonlight" won the Academy Award for Best Picture
- The University was the only Football Bowl Subdivision (FBS) school in the nation to have each of its sports advance to the NCAA postseason
- For the fifth consecutive year, FSU placed in the top two most efficient universities, according to *U.S. News & World Report*





Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of Net Pension Liability – Florida Retirement System Defined Benefit Pension Plan**, **Schedule of Contributions – Florida Retirement System Defined Benefit Pension Plan**, **Schedule of Net Pension Liability – Health Insurance Subsidy Defined Benefit Pension Plan**, and **Schedule of Contributions – Health Insurance Subsidy Defined Benefit Pension Plan**, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

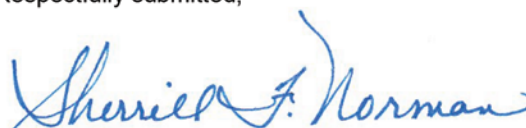
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, Introduction from the Vice President for Finance and Administration, and University Overview, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the President, Introduction from the Vice President for Finance and Administration, and University Overview have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2018, 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida State University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 6, 2018
Audit Report No. 2018-129





MANAGEMENT'S DISCUSSION AND ANALYSIS

Florida State University - A Component Unit of the State of Florida

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2017, and June 30, 2016.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University reporting entity as a blended component unit. In addition, twelve component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

Condensed Statement of Net Position at June 30 (In Thousands)

	2017	2016
Assets		
Current Assets	\$ 759,057	\$ 786,342
Capital Assets, Net	1,934,318	1,893,823
Other Noncurrent Assets	124,133	124,939
Total Assets	2,817,508	2,805,104
Deferred Outflows of Resources	123,927	64,812
Liabilities		
Current Liabilities	178,755	197,530
Noncurrent Liabilities	680,512	572,812
Total Liabilities	859,267	770,342
Deferred Inflows of Resources	2,337	24,481
Net Position		
Net Investment in Capital Assets	1,668,116	1,635,368
Restricted	258,112	229,688
Unrestricted	153,603	210,037
Total Net Position	\$ 2,079,831	\$ 2,075,093

The University's assets totaled \$2.8 billion at June 30, 2017. This balance reflects a \$12.4 million, or less than 1 percent, increase as compared to the 2015-16 fiscal year.

Funds utilized for new construction by the University on behalf of the Seminole Boosters component unit decreased current liabilities by \$29.6 million. This decrease in current liabilities was partially offset by a \$6.6 million increase in unearned revenue, primarily caused by an increase in capital appropriations from the State. These two factors were the principal drivers of the overall \$18.8 million, or 9.5 percent, decrease in current liabilities.

The \$107.7 million, or 18.8 percent, increase in noncurrent liabilities is primarily attributable to an increase of \$98.1 million in net pension liability and a \$6.7 million increase in other postemployment benefits payable (OPEB). Deferred outflows and deferred inflows of resources also relate to pensions, with deferred outflows of pension resources increasing \$59.1 million, or 91.2 percent and deferred inflows of pension resources decreasing by \$22.1 million, or 90.5 percent. These changes in pension-related balances were driven by changes in the University's proportionate share of the State's net pension liabilities, along with differences between actual and expected experience of the plans based on updated actuarial valuations.

As a result, the University's net position increased by \$4.7 million, and remained consistent in total with the prior year's balance of \$2.1 billion.

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

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years (In Thousands)

	2016-17	2015-16
Operating Revenues	\$ 598,718	\$ 590,541
Less, Operating Expenses	(1,148,356)	(1,101,212)
Operating Loss	(549,638)	(510,671)
Net Nonoperating Revenues	531,546	537,182
Gain (Loss) Before Other Revenues, Expenses, Gains or Losses	(18,092)	26,511
Other Revenues, Expenses, Gains, or Losses	22,830	37,669
Net Increase in Net Position	4,738	64,180
Net Position, Beginning of Year	2,075,093	2,010,913
Net Position, End of Year	\$ 2,079,831	\$ 2,075,093



MANAGEMENT'S DISCUSSION AND ANALYSIS

Florida State University - A Component Unit of the State of Florida

OPERATING REVENUES

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

Operating Revenues (In Thousands)

	2016-17	2015-16
Net Tuition and Fees	\$ 248,668	\$ 253,263
Grants and Contracts	176,880	168,362
Sales and Services of Auxiliary Enterprises	168,882	160,914
Other	4,288	8,002
Total Operating Revenues	\$ 598,718	\$ 590,541

The University's operating revenues totaled \$598.7 million for the 2016-17 fiscal year, representing a 1.4 percent increase over the 2015-16 fiscal year. Net tuition and fees decreased by \$4.6 million, or 1.8 percent, primarily due to an increase of \$6.6 million in scholarship allowances. After decreasing in the prior fiscal year, Federal, State, and Local grants and contracts revenues increased by \$8.5 million, or 5.1 percent.

OPERATING EXPENSES

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

Operating Expenses (In Thousands)

	2016-17	2015-16
Compensation and Employee Benefits	\$ 732,050	\$ 688,868
Services and Supplies	219,481	212,630
Utilities and Communications	34,092	36,411
Scholarships, Fellowships and Waivers	83,229	83,250
Depreciation	79,504	80,053
Total Operating Expenses	\$ 1,148,356	\$ 1,101,212

Operating expenses totaled \$1.1 billion for the 2016-17 fiscal year, representing an increase of \$47.1 million, or 4.3 percent, over the 2015-16 fiscal year. Compensation and employee benefits increased by \$43.2 million, or 6.3 percent increase, primarily due to a \$22.4 million increase in the recognition of actuarially determined pension expense.

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets.

Nonoperating Revenues (Expenses) (In Thousands)

	2016-17	2015-16
State Noncapital Appropriations	\$ 424,808	\$ 395,276
Federal and State Student Financial Aid	83,026	87,317
Noncapital Grants, Contracts, and Gifts	46,036	49,725
Investment Income, Net of Expenses	10,606	10,069
Net Increase (Decrease) in Fair Value of Investments	(14,739)	9,119
Other Nonoperating Revenues	1,203	4,082
Loss on Disposal of Capital Assets	(4,111)	(4,782)
Interest on Capital Asset-Related Debt	(8,455)	(9,055)
Other Nonoperating Expenses	(6,828)	(4,569)
Net Nonoperating Revenues	\$ 531,546	\$ 537,182

State noncapital appropriations increased by \$29.5 million, or 7.5 percent, primarily due to preeminence and performance based funding. The fair value of investments decreased by \$23.9 million, or 261.6 percent, which was driven by a decrease in the fair value of underlying securities held in the State Treasurer's Investment Pool. Overall, net nonoperating revenues totaled \$531.5 million, representing a decrease of \$5.6 million, or 1 percent, from the 2015-16 fiscal year.

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees.

Other Revenues, Expenses, Gains, or Losses (In Thousands)

	2016-17	2015-16
State Capital Appropriations	\$ 14,034	\$ 8,194
Capital Grants, Contracts, Donations, and Fees	8,796	29,475
Total	\$ 22,830	\$ 37,669

State capital appropriations increased by \$5.8 million, or 71.3 percent, mainly due to an increase in public education capital outlay funding, the largest portion of which was related to the construction of the Earth, Ocean, and Atmospheric Science Building. The acquisition of capital assets as a result of the University's assumption of budgetary management for the joint FAMU/FSU College of Engineering in the previous fiscal year drove a higher than usual capital grants, contracts, donations, and fees balance in 2015-16; as a result, this balance decreased by \$20.7 million, or 70.2 percent, in the current fiscal year.

THE STATEMENT OF CASH FLOWS

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

Condensed Statement of Cash Flows (In Thousands)

	2016-17	2015-16
Cash Provided (Used) by:		
Operating Activities	\$ (429,730)	\$ (424,873)
Noncapital Financing Activities	521,360	572,561
Capital and Related Financing Activities	(123,880)	(86,842)
Investing Activities	27,049	(68,975)
Net Decrease in Cash and Cash Equivalents	(5,201)	(8,129)
Cash and Cash Equivalents, Beginning of Year	18,340	26,469
Cash and Cash Equivalents, End of Year	\$ 13,139	\$ 18,340

Major sources of funds came from State noncapital appropriations (\$424.8 million), net student tuition and fees (\$249.6 million), grants and contracts (\$174.5 million), sales and services of auxiliary enterprises (\$170.9 million), and Federal and State student financial aid (\$83 million). Major uses of funds were for payments made to and on behalf of employees (\$701.5 million), payments to suppliers (\$256.2 million), payments to and on behalf of students for scholarships (\$83.2 million), and the purchase or construction of capital assets (\$115.7 million).

CAPITAL ASSETS

At June 30, 2017, the University had \$2.9 billion in capital assets, less accumulated depreciation of \$1 billion, for net capital assets of \$1.9 billion. Depreciation charges for the current fiscal year totaled \$79.5 million.

Capital Assets, Net at June 30 (In Thousands)

	2017	2016
Land	\$ 83,426	\$ 78,606
Buildings	1,443,660	1,457,303
Infrastructure and Other Improvements	70,484	68,140
Furniture and Equipment	99,750	108,212
Library Resources	33,326	32,427
Works of Art and Historical Treasures	74,972	74,483
Construction in Progress	128,700	74,652
Capital Assets, Net	\$ 1,934,318	\$ 1,893,823

Additional information about the University’s capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2017, were incurred on the following projects: University Housing Expansion, Phase 2 totaling \$69.9 million, Doak Campbell Stadium Scoreboard totaling \$14.8 million, and Earth, Ocean, and Atmospheric Science Building totaling \$6.9 million.

Major Capital Commitments, at June 30 (In Thousands)

	2017
Total Committed	\$ 268,469
Completed to Date	(128,700)
Balance Committed	\$ 139,769

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

DEBT ADMINISTRATION

As of June 30, 2017, the University had \$264.4 million in outstanding capital improvement debt, representing a decrease of \$13.3 million, or 4.8 percent, from the prior fiscal year.

Long-Term Debt, at June 30 (In Thousands)

	2017	2016
Capital Improvement Debt	\$ 264,385	\$ 277,728
Loans and Notes Payable	159	252
Total	\$ 264,544	\$ 277,980

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As a public institution, the condition of the State of Florida’s economy is the primary factor impacting the University’s future. The 2017-18 budget adopted by the Florida Legislature included total recurring General Revenue and Lottery funding for the University of \$414.9 million, which represented an increase from the prior fiscal year of \$45.5 million. The University also received State Capital Appropriations of \$16 million for a new Earth, Ocean, and Atmospheric Science (EOAS) building, \$6.8 million for a new Interdisciplinary Research Commercialization Building (IRCB), \$5 million for a new College of Business Building, \$4.3 million for Student Union renovations, \$4.2 million for a STEM Teaching Lab, and \$6.6 million for building maintenance and repairs. State funding for the EOAS building and the Student Union now totals \$56.9 million and \$23.0 million, respectively.

Student tuition was unchanged for the fourth consecutive year, as the cost of higher education remains a concern of the State Legislature; however, the State has shown a willingness to aid the University’s efforts to elevate FSU’s reputation as a preeminent research institution. This shared commitment to increased excellence was evidenced by the inclusion of new recurring funding to FSU of \$17.3 million of preeminence money, \$11.7 million for a World Class Faculty and Scholar Program, and \$9.5 million for a Professional and Graduate Degree Excellence Program.

In addition to State funding and tuition and fees, the University receives a large share of revenues from other sources such as grants and contracts and auxiliary operations. Additionally, the University’s ability to fundraise remains strong, as reflected in the successful Raise the Torch Campaign, which will end on June 30, 2018, and is anticipated to exceed its \$1 billion goal. Given this diversification of resources and the sustained commitment of the Legislature and Governor to support Florida State University’s initiative to become a top 25 public university, the future for FSU looks extremely positive.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller’s Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306.



STATEMENT OF NET POSITION AS OF JUNE 30, 2017 (in thousands)

Florida State University - A Component Unit of the State of Florida

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,544	\$ 38,026
Investments	618,788	152,147
Accounts Receivable, Net	45,663	89,581
Loans and Notes Receivable, Net	1,840	8
Due from State	62,224	-
Due from Component Units/University	6,162	28,115
Inventories	2,381	162
Other Current Assets	11,455	1,084
Total Current Assets	759,057	309,123
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,595	18,175
Restricted Investments	108,881	619,897
Loans and Notes Receivable, Net	8,173	33,836
Depreciable Capital Assets, Net	1,647,220	227,027
Nondepreciable Capital Assets	287,098	24,843
Other Noncurrent Assets	4,484	113,695
Total Noncurrent Assets	2,058,451	1,037,473
TOTAL ASSETS	2,817,508	1,346,596
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	123,927	-
Loss on Debt Refunding	-	2,316
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 13,326	\$ 13,522
Construction Contracts Payable	11,078	-
Salaries and Wages Payable	26,874	-
Deposits Payable	10,075	28
Due to Component Units/University	20,937	18,941
Unearned Revenue	71,235	17,950
Other Current Liabilities	1,437	3,674
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	14,599	-
Bonds Payable	-	5,932
Loans and Notes Payable	86	1,141
Accrued Self-Insurance Claims	123	-
Compensated Absences Payable	4,891	-
Revenue Received in Advance	1,730	31,723
Net Pension Liability	2,364	-
Total Current Liabilities	178,755	92,911
Noncurrent Liabilities:		
Capital Improvement Debt Payable	249,786	-
Bonds Payable	-	164,688
Loans and Notes Payable	73	28,963
Accrued Self-Insurance Claims	401	-
Compensated Absences Payable	67,878	1,103
Revenue Received in Advance	15,480	34,547
Other Noncurrent Liabilities	19,398	7,604
Other Postemployment Benefits Payable	71,849	-
Net Pension Liability	255,647	-
Total Noncurrent Liabilities	680,512	236,905
TOTAL LIABILITIES	859,267	329,816
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	2,337	-
NET POSITION		
Net Investment in Capital Assets	\$ 1,668,116	\$ 68,766
Restricted for Nonexpendable, Endowment	-	484,993
Restricted for Expendable:		
Debt Service	3,716	-
Loans	3,961	-
Capital Projects	89,358	-
Other	161,077	77,089
Endowment	-	237,133
Unrestricted	153,603	151,115
TOTAL NET POSITION	\$ 2,079,831	\$ 1,019,096

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



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (in thousands)

Florida State University - A Component Unit of the State of Florida

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of \$132,181	\$ 248,668	\$ -
Federal Grants and Contracts	142,633	-
State and Local Grants and Contracts	21,469	-
Nongovernmental Grants and Contracts	12,778	-
Sales and Services of Auxiliary Enterprises	168,882	-
Sales and Services of Component Units	-	30,523
Royalties and Licensing Fees	-	13,853
Gifts and Donations	-	81,480
Interest on Loans and Notes Receivable	281	-
Other Operating Revenues	4,007	19,758
Total Operating Revenues	598,718	145,614
OPERATING EXPENSES		
Compensation and Employee Benefits	732,050	29,236
Services and Supplies	219,481	132,105
Utilities and Communications	34,092	340
Scholarships, Fellowships, and Waivers	83,229	-
Depreciation	79,504	9,472
Total Operating Expenses	1,148,356	171,153
OPERATING LOSS	(549,638)	(25,539)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	424,808	-
Federal and State Student Financial Aid	83,026	-
Noncapital Grants, Contracts, and Gifts	46,036	-
Investment Income	10,647	17,535
Net Increase (Decrease) in the Fair Value of Investments	(14,739)	54,531
Investment Expense	(41)	(104)
Other Nonoperating Revenues	1,203	7,514
Gain (Loss) on Disposal of Capital Assets	(4,111)	1,195
Interest on Capital Asset-Related Debt	(8,455)	(5,942)
Other Nonoperating Expenses	(6,828)	(9,434)
NET NONOPERATING REVENUES	531,546	65,295
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(18,092)	39,756
State Capital Appropriations	14,034	-
Capital Grants, Contracts, Donations, and Fees	8,796	11,562
Additions to Permanent Endowments	-	14,051
Increase in Net Position	4,738	65,369
Net Position, Beginning of Year	2,075,093	953,714
Adjustments to Net Position, Beginning of Year	-	13
Net Position, Beginning of Year (As Restated)	2,075,093	953,727
NET POSITION, END OF YEAR	\$ 2,079,831	\$ 1,019,096



STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (in thousands)

Florida State University - A Component Unit of the State of Florida

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 249,572
Grants and Contracts	174,508
Sales and Services of Auxiliary Enterprises	170,881
Interest on Loans and Notes Receivable	281
Other Operating Receipts	15,142
Payments to Employees	(701,497)
Payments to Suppliers for Goods and Services	(256,155)
Payments to Students for Scholarships and Fellowships	(83,229)
Payments on Self-Insurance Claims	(56)
Loans issued to Students	(1,796)
Collections on Loans to Students	2,619
Net Cash Used by Operating Activities	(429,730)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	424,808
Noncapital Grants, Contracts and Gifts	46,978
Federal and State Student Financial Aid	83,026
Federal Direct Loan Program Receipts	176,460
Federal Direct Loan Program Disbursements	(176,386)
Net Change in Funds Held for Others	(29,105)
Other Nonoperating Receipts	1,061
Other Nonoperating Disbursements	(5,482)
Net Cash Provided by Noncapital Financing Activities	521,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	7,555
State Capital Appropriations	10,205
Capital Grants, Contracts, Donations, and Fees	4,873
Purchase or Construction of Capital Assets	(115,680)
Principal Paid on Capital Debt	(20,050)
Interest Paid on Capital Debt	(10,783)
Net Cash Used by Capital and Related Financing Activities	(123,880)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	801,390
Purchase of Investments	(784,991)
Investment Income	10,650
Net Cash Provided by Investing Activities	27,049
Net Decrease in Cash and Cash Equivalents	(5,201)
Cash and Cash Equivalents, Beginning of Year	18,340
Cash and Cash Equivalents, End of Year	\$ 13,139
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (549,638)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	79,504
Change in Assets and Liabilities:	
Loans and Notes Receivable, Net	869
Other Receivables, Net	(500)
Inventories	(26)
Deferred Charges and Other Assets	825
Accounts Payable	(3,428)
Salaries and Wages Payable	3,244
Accrued Insurance Claims	(56)
Deposits Payable	49
Compensated Absences Payable	3,731
Other Postemployment Benefits Payable	6,741
Unearned Revenue	12,118
Pension Liability	98,096
Pension Deferred Outflows	(59,115)
Pension Deferred Inflows	(22,144)
NET CASH USED BY OPERATING ACTIVITIES	\$ (429,730)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (14,739)
Losses from the write off of capital assets were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (4,111)

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





NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

BLENDED COMPONENT UNIT

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

DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component units, the following organizations met all of the financial accountability criteria necessary for inclusion as discretely presented component units and therefore are included within the University reporting entity, or are included based on the nature and significance of their relationship with the University.

These organizations and their purposes are explained as follows:

- The Florida State University Foundation, Inc. (Foundation) - The University's fundraising and private support programs are accounted for and reported separately by the Foundation. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The Foundation expenses include scholarship distributions to students and departmental faculty, staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- Seminole Boosters, Inc. (Boosters) - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.
- The Florida State University Research Foundation, Inc. (Research Foundation) - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products.
- Florida State University International Programs Association, Inc. (International Programs Association) - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- Florida State University Schools, Inc. (School) - The School is a charter school established pursuant to Section 1002.33(5)(a), Florida Statutes. The School provides a setting where University faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and development of commercial or prototype materials and techniques adaptable to other Florida public schools and is supported by School and University researchers or private sector partners.
- Florida State University Alumni Association, Inc. (Alumni Association) - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and



exchange information with University alumni, to assist the University's development programs, and to provide public and community service.

- The John and Mable Ringling Museum of Art Foundation, Inc. (Ringling Museum Foundation) - The Ringling Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art.
- Florida Medical Practice Plan, Inc. (FMPP) – FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine.
- Florida State University Magnet Research and Development, Inc. (Magnet Research and Development) - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.
- The Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) – The Real Estate Foundation was established to receive, hold, manage, lease, develop, or sell real estate, and to make expenditures, grants, and contributions to or for the benefit of the University.
- The Florida State University College of Business Student Investment Fund, Inc. (Student Investment Fund) – The Student Investment Fund was established to support a student managed investment fund and other FSU College of Business programs.
- Florida State University Athletics Association, Inc. (Athletics Association) – The Athletics Association was established to provide supplemental contracts for athletic staff.

An annual audit of each operational organization's financial statements is conducted by independent certified public accountants. The annual reports are 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. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note. The Athletics Association was not operational during the 2016-17 fiscal year, and therefore is not included in the condensed financial statements.

BASIS OF PRESENTATION

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

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

BASIS OF ACCOUNTING

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

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

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



NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of scholarship allowances. 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 scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS AND FAIR VALUE MEASUREMENT

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

CAPITAL ASSETS

University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property, \$50,000 for new buildings, and \$100,000 for building improvements.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

NONCURRENT LIABILITIES

Noncurrent liabilities include capital improvement debt payable, loans and notes payable, accrued self-insurance claims, compensated absences payable, other noncurrent liabilities, other postemployment benefits payable, revenue received in advance, and net pension liability that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

PENSIONS

For the purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

OPERATING REVENUES AND EXPENSES

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

NONOPERATING REVENUES AND EXPENSES

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

2 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University’s Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University’s investments at June 30, 2017, are reported as follows:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 711,044,335	\$ -	\$ -	\$ 711,044,335
State Board of Administration Debt Service Accounts	3,574,756	3,574,756	-	-
Mutual Funds:				
Bonds	5,159,047	5,159,047	-	-
Equities	2,599,889	2,599,889	-	-
Other Investments	5,290,654	-	-	5,290,654
Total Investments by Fair Value Level	\$ 727,668,681	\$ 11,333,692	\$ -	\$ 716,334,989



NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

Investments held by the University's component units at June 30, 2017, are reported as follows:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Bonds and Notes	\$ 765,986	\$ 765,986	\$ -	\$ -
Domestic Stocks	33,791,218	23,301,757	-	10,489,461
International Stocks	334,388	334,388	-	-
Mutual Funds	156,623,515	100,414,159	56,209,356	-
Real Estate Investments	90,489	-	-	90,489
Other Investments	1,298,947	1,298,947	-	-
Total Investments by Fair Value Level	\$ 192,904,543	\$ 126,115,237	\$ 56,209,356	\$ 10,579,950
Investments Measured at the Net Asset Value (NAV)				
Domestic Bonds and Notes	73,247,892			
Domestic Stocks	93,943,745			
International Stocks	146,518,337			
Real Estate Investments	27,774,526			
Hedge Funds	123,867,267			
Private Equity Funds	44,549,962			
Private Real Estate Funds	29,056,339			
Total investments measured at NAV	538,958,068			
Other				
SBA Florida PRIME	38,917,111			
Certificates of Deposit	154,267			
Real Estate Investments	1,109,320			
Total Other Investments	40,180,698			
Total Investments	\$ 772,043,309			

The University's component units' investments measured at the net asset value (NAV), as of June 30, 2017, totaled \$538,958,068 as follows:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Domestic Bonds and Notes	\$ 73,247,892	\$ -	Daily	2-10 Days
Domestic Stocks	93,943,745	-	Daily to semi-annually	2-60 Days
International Stocks	146,518,337	-	Daily to semi-annually	2-60 Days
Real Estate Investments	27,774,526	-	Daily	2 Days
Hedge Funds	123,867,267	-	Monthly to every 3 years	10-90 Days
Private Equity Funds	44,549,962	36,149,924		
Private Real Estate Funds	29,056,339	15,302,330		
Total Investments Measured at NAV	\$ 538,958,068	\$ 51,452,254		

Investments measured at net asset value are comprised of the following categories:

- Domestic Bonds and Notes – domestic institutional pooled funds.
- Domestic Stocks – equity interests in domestic institutional pooled funds.
- International Stocks – equity interests in global and emerging market institutional pooled funds.
- Real Estate – equity interests in global real estate institutional pooled funds, and a real estate limited partnership.
- Hedge Funds – interests in offshore funds that invest both long and short in domestic and international equities as well as absolute return strategy interests in offshore funds that are designed to produce results that are largely independent of, or have low correlation to, the broader markets.
- Private Equity – interests in several limited partnership funds that invest in private equity, venture capital, and distressed assets.
- Private Real Estate - a global real estate investment trust fund, a commodity index fund, and real estate limited partnerships.

EXTERNAL INVESTMENT POOLS

The University reported investments at fair value totaling \$711,044,335 at June 30, 2017, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.8 years and fair value factor of 0.9923 at June 30, 2017. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participants' total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The Research Foundation reported investments at fair value totaling \$38,917,111 at June 30, 2017, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2017, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted average days to maturity (WAM) of 39 days as of June 30, 2017. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost. Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

STATE BOARD OF ADMINISTRATION DEBT SERVICE ACCOUNTS

The University reported investments at fair value totaling \$3,574,756 at June 30, 2017, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

OTHER INVESTMENTS

In addition to external investment pools, the University, its blended component unit, and its discretely presented component units invested in various debt and equity securities, mutual funds, and real estate funds.

The University reported investments at fair value totaling \$5,290,654 at June 30, 2017, in the Florida State University Foundation's investment pool, representing ownership of a share of the pool, not the underlying securities.

The Florida State University College of Medicine Self-Insurance Program (SIP), a blended component unit (see Note 1), reported other investments at fair value totaling \$7,758,936 at June 30, 2017, in various debt and equity mutual funds. Bond mutual fund investments totaling \$5,159,047 consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. Equity mutual fund investments totaling \$2,599,889 consist of shares owned in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund.

For the discretely presented component units, the majority of investments are those reported by the Foundation. Because the Foundation, Real Estate Foundation, and the Student Investment Fund report under the FASB reporting model, disclosure of the various investment risks is not required for the investments of these component units.

The following are required risk disclosures applicable to investments of the blended component unit as well as the remaining discretely presented component units, which report under the GASB reporting model.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's blended component unit (SIP) has investments in bond mutual funds that are subject to interest rate risk. Additionally,



NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

investments of the University's discretely presented component units (excluding those reporting under FASB standards) in debt securities, bonds and notes, and bond mutual funds are also subject to interest rate risk. These investments and their future maturities at June 30, 2017, are as follows:

	Investment Maturities (in years)		
	Fair Value	Less Than 1	1-7
Blended Component Unit (SIP)	\$ 5,159,047	\$ -	\$ 5,159,047
Discretely Presented Component Units	\$ 2,893,411	\$ 2,173,123	\$ 720,288

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 (by the GASB) and do not require disclosure of credit quality. The University's blended component unit (SIP) and the University's discretely presented component units (excluding those reporting under FASB standards) held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies at June 30, 2017, as follows:

	Fair Value	AA/Aa	A/Ba	Not Rated
Blended Component Unit (SIP)	\$ 5,159,047	\$ 4,188,110	\$ 970,937	\$ -
Discretely Presented Component Units	\$ 2,893,411	\$ 572,976	\$ 147,312	\$ 2,173,123

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. Neither the University's blended component unit (SIP) nor its discretely presented component units have identified any investments falling into this category as of June 30, 2017.

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 University's discretely presented component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the discretely presented component units. The University's blended component unit (SIP) places no limit on the amount it may invest in any one issuer. Individual investments that consist of more than five percent of the SIP's total investments as of June 30, 2017, are as follows:

Investment Type	Fair Value	Percentage of Total Investments
Short Term Bond Index Fund	\$ 4,188,110	54
Total Stock Market Index Fund	1,734,298	22
Intermediate Term Bond Index Fund	970,937	13
International Stock Index Fund	865,591	11
Total	\$ 7,758,936	100

3

RECEIVABLES

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student tuition and fees, grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable.

As of June 30, 2017, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 14,526,010
Grants and Contracts	16,699,637
Sales and Services of Auxiliary Enterprises	14,187,861
Interest	1,036,796
Other	1,251,923
Total Accounts Receivable	\$ 47,702,227

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. Loans and notes receivable totaled \$12,320,293 at June 30, 2017.

ALLOWANCE FOR DOUBTFUL RECEIVABLES

Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$2,039,447 and \$2,307,149, respectively, at June 30, 2017. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

4 DUE FROM STATE

This amount consists of \$44,074,722 of Public Education Capital Outlay and \$18,149,359 of Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

5 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2017. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the University.

6 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 78,605,733	\$ 4,819,765	\$ -	\$ 83,425,498
Works of Art and Historical Treasures	74,482,784	490,629	1,069	74,972,344
Construction in Progress	74,651,669	112,367,121	58,318,785	128,700,005
Total Nondepreciable Capital Assets	\$ 227,740,186	\$ 117,677,515	\$ 58,319,854	\$ 287,097,847
Depreciable Capital Assets:				
Buildings	\$ 1,967,183,922	\$ 33,451,233	\$ 7,035,430	\$ 1,993,599,725
Infrastructure and Other Improvements	136,703,533	6,165,245	5,000	142,863,778
Furniture and Equipment	328,377,976	18,624,347	13,158,500	333,843,823
Library Resources	144,397,235	8,218,497	1,787,182	150,828,550
Computer Software and Other Capital Assets	55,109,230	443,077	135,625	55,416,682
Total Depreciable Capital Assets	2,631,771,896	66,902,399	22,121,737	2,676,552,558
Less, Accumulated Depreciation:				
Buildings	509,880,450	43,188,202	3,129,272	549,939,380
Infrastructure and Other Improvements	68,563,873	3,815,542	-	72,379,415
Furniture and Equipment	231,309,046	20,134,198	10,809,077	240,634,167
Library Resources	111,969,890	7,319,415	1,787,182	117,502,123
Computer Software and Other Capital Assets	43,966,098	5,046,500	135,624	48,876,974
Total Accumulated Depreciation	965,689,357	79,503,857	15,861,155	1,029,332,059
Total Depreciable Capital Assets, Net	\$ 1,666,082,539	\$ (12,601,458)	\$ 6,260,582	\$ 1,647,220,499



NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

7 UNEARNED REVENUE

Unearned revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2017, to spend the funds, as well as grants and contracts, auxiliary sales and services, and other revenues received prior to fiscal year end related to the subsequent accounting period.

As of June 30, 2017, the University reported the following amounts as unearned revenue:

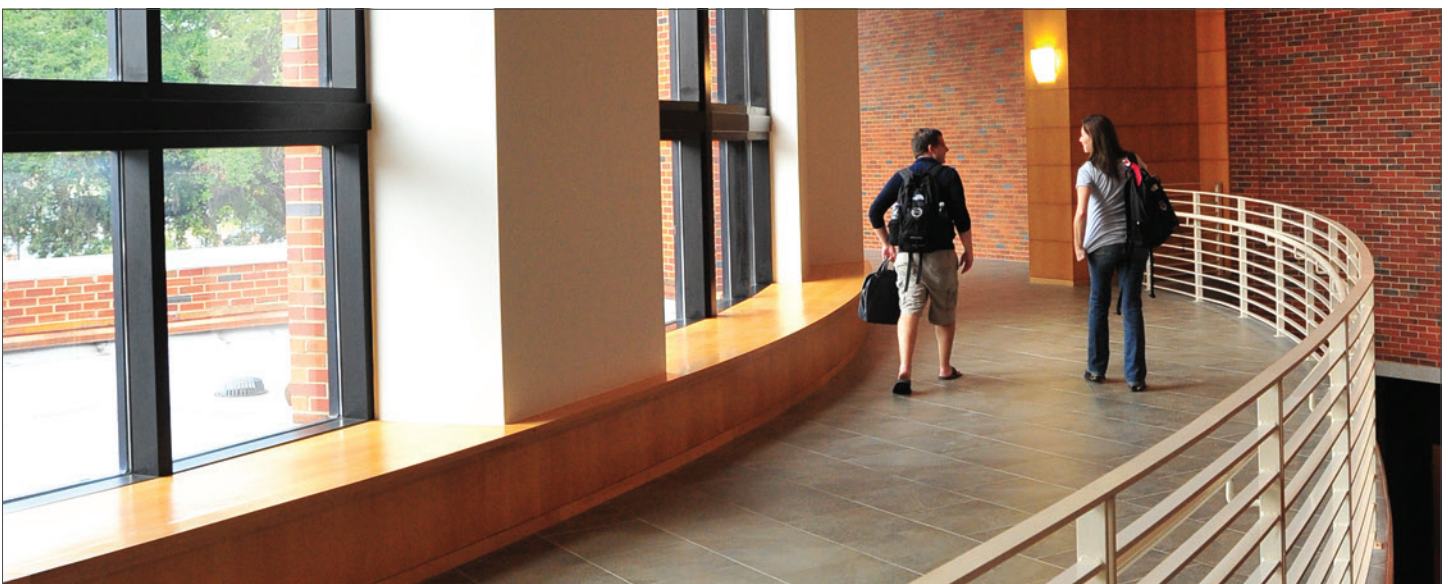
Description	Amount
State Capital Appropriations	\$ 53,596,931
Grants and Contracts	1,925,330
Sales and Services of Auxiliary Enterprises	15,656,801
Other	55,502
Total Unearned Revenue	\$ 71,234,564

8 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2017, include capital improvement debt payable, loans and notes payable, accrued self-insurance claims, compensated absences payable, other noncurrent liabilities, other postemployment benefits payable, revenue received in advance, and net pension liability. Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or if the University has excess cash in the loan program.

Long-term liabilities activity for the fiscal year ended June 30, 2017, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 277,727,770	\$ 7,791,838	\$ 21,133,905	\$ 264,385,703	\$ 14,599,473
Loans and Notes Payable	251,574	191,499	283,860	159,213	85,831
Accrued Self-Insurance Claims	580,269	62,863	119,326	523,806	122,997
Compensated Absences Payable	69,019,503	8,150,417	4,401,265	72,768,655	4,891,038
Other Noncurrent Liabilities	20,962,010	-	1,564,202	19,397,808	-
Other Postemployment Benefits Payable	65,108,000	11,487,000	4,746,000	71,849,000	-
Revenue Received in Advance	-	17,210,658	-	17,210,658	1,730,232
Net Pension Liability	159,914,926	142,633,186	44,537,547	258,010,565	2,363,552
Total Long-Term Liabilities	\$ 593,564,052	\$ 187,527,461	\$ 76,786,105	\$ 704,305,408	\$ 23,793,123



CAPITAL IMPROVEMENT DEBT PAYABLE

The University had the following capital improvement debt payable outstanding at June 30, 2017:

Capital Improvement Debt Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Debt:				
2010A Housing	\$ 18,910,000	\$ 16,113,621	3.0 - 4.75	2040
2011A Housing	27,745,000	21,561,834	3.0 - 4.125	2031
2013A Housing	42,495,000	41,767,475	4.0 - 5.0	2033
2014A Housing	46,085,000	46,911,625	3.25 - 5.0	2031
2015A Housing	59,575,000	63,243,674	3.0 - 5.0	2035
Total Student Housing Debt	194,810,000	189,598,229		
2011A Parking	22,145,000	15,115,439	3.0 - 5.25	2031
2014A Parking	13,485,000	12,070,979	5.0	2025
2017A Parking	7,857,000	7,791,838	2.12	2026
Total Student Parking Debt	43,487,000	34,978,256		
2005A Dining	10,000,000	5,275,000	2.29	2025
2010A Wellness Center	31,320,000	24,027,756	4.0 - 5.0	2030
Total Auxiliary Debt	279,617,000	253,879,241		
2012 Research Foundation Revenue Debt	11,920,000	10,506,462	3.0 - 4.0	2031
Total Capital Improvement Debt	\$ 291,537,000	\$ 264,385,703		

(1) Amount outstanding includes unamortized bond discounts and premiums.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$279.6 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$330 million, and principal and interest paid for the current year totaled \$23 million.

Revenue Pledged	Amount
Housing Rental Income	\$ 42,485,845
Traffic, Parking and Transportation Fees	12,064,191
Food Service Revenues	2,232,484
Student Health Fees	14,941,184

On February 2, 2017, the Florida Board of Governors issued \$7,857,000 of Florida State University Parking Facility Revenue Refunding Bonds, Series 2017A with an interest rate of 2.12 percent. The proceeds from this debt were used to defease \$7,555,000 of outstanding State of Florida, Board of Governors, Florida State University Parking Facility Revenue Bonds, Series 2007A. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$749,460 over the next ten years and obtained an economic gain of \$678,875.





NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 13,434,000	\$ 10,527,069	\$ 23,961,069
2019	13,991,000	9,971,810	23,962,810
2020	14,616,000	9,385,839	24,001,839
2021	15,241,000	8,764,764	24,005,764
2022	15,934,000	8,098,089	24,032,089
2023-2027	75,571,000	30,081,258	105,652,258
2028-2032	68,840,000	14,290,381	83,130,381
2033-2037	27,250,000	3,008,481	30,258,481
2038-2040	3,155,000	304,237	3,459,237
Subtotal	248,032,000	94,431,928	342,463,928
Plus: Unamortized Premiums and Discounts, Net	16,353,703	-	16,353,703
Total	\$ 264,385,703	\$ 94,431,928	\$ 358,817,631

COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2017, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$72,768,655. The current portion of the compensated absences liability, \$4,891,038, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

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

Funding Policy - OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded OPEB costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2016-17 fiscal year, 1,330 retirees received postemployment healthcare benefits. The University provided required contributions of \$4,746,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$4,654,000, which represents 1 percent of covered payroll.

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

The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 5,559,000
Amortization of Unfunded Actuarial Accrued Liability	5,296,000
Interest on Normal Cost and Amortization	434,000
Annual Required Contribution	11,289,000
Interest on Net OPEB Obligation	2,604,000
Adjustment to Annual Required Contribution	(2,406,000)
Annual OPEB Cost (Expense)	11,487,000
Contribution Toward the OPEB Cost	(4,746,000)
Increase in Net OPEB Obligation	6,741,000
Net OPEB Obligation, Beginning of Year	65,108,000
Net OPEB Obligation, End of Year	\$ 71,849,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014-15	\$ 17,143,000	22	\$ 57,721,000
2015-16	11,444,000	35	65,108,000
2016-17	11,487,000	41	71,849,000

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$140,923,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$140,923,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$438,212,856 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.7 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the University's 2016-17 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1, 7.5, and 8.8 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.0, 5.7, and 7.0 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 60 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis.

REVENUE RECEIVED IN ADVANCE

Long-term revenue received in advance represents funds received but not yet earned under the terms and conditions of a dining contract. Total long-term revenue received in advance at June 30, 2017, amounted to \$17,210,658, with \$1,730,232 expected to be earned during the 2017-18 fiscal year.



NOTES TO FINANCIAL STATEMENTS

Florida State University - A Component Unit of the State of Florida

NET PENSION LIABILITY

As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS and HIS cost-sharing multiple-employer defined benefit plans. As of June 30, 2017, the University's proportionate share of the net pension liabilities totaled \$258,010,565.

9

RETIREMENT PLANS - DEFINED BENEFIT PENSION PLANS

GENERAL INFORMATION ABOUT THE FLORIDA RETIREMENT SYSTEM (FRS)

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the State and faculty and specified employees in the State university system.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' website (www.dms.myflorida.com).

The University's pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled \$38,992,956 for the 2016-17 fiscal year.

FRS PENSION PLAN

Plan Description - The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided - Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service or more	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service or more	1.68
Senior Management Service Class	2.00
Special Risk Regular	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions - The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (1)
Florida Retirement System, Regular	3.00	7.52
Florida Retirement System, Senior Management Service	3.00	21.77
Florida Retirement System, Special Risk	3.00	22.57
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.99
Florida Retirement System, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$18,696,925 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the University reported a liability of \$181,310,252 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University's proportionate share of the net pension liability was based on the University's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University's proportion was 0.72 percent, which was equal to its proportionate share measured as of June 30, 2015.



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For the fiscal year ended June 30, 2017, the University recognized pension expense of \$32,200,775. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,882,507	\$ 1,688,121
Changes of Assumptions	10,968,728	-
Net difference between projected and actual earnings on pension plan investments	46,866,490	-
Changes in proportion and differences between University contributions and proportionate share of contributions	15,940,875	474,679
University contributions subsequent to the measurement date	18,696,925	-
Total	\$ 106,355,525	\$ 2,162,800

The deferred outflows of resources totaling \$18,696,925, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	\$ 14,201,035
2019	14,201,035
2020	32,472,503
2021	20,845,523
2022	2,908,419
Thereafter	867,286
Total	\$ 85,495,801

Actuarial Assumptions - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation..... 2.60 percent
- Salary Increases 3.25 percent, average, including inflation
- Investment Rate of Return 7.60 percent, net of Plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			
Assumed Inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability was 7.60 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60 percent) or 1 percentage-point higher (8.60 percent) than the current rate:

Pension Plan Fiduciary Net Position - Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
University's proportionate share of the net pension liability	\$ 333,804,449	\$ 181,310,252	\$ 54,378,972

HIS PENSION PLAN

Plan Description - The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University’s contributions to the HIS Plan totaled \$3,459,247 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the University reported a liability of \$76,700,313 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University’s proportionate share of benefit payments expected to be paid within one year, net of the University’s proportionate share of the HIS Plan’s fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University’s proportionate share of the net pension liability was based on the University’s 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University’s proportion was 0.66 percent, which was an increase of 0.01 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the University recognized pension expense of \$6,792,181. In addition, the University reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 174,695
Changes of Assumptions	12,036,229	-
Net difference between projected and actual earnings on HIS Plan investments	38,781	-
Changes in proportion and differences between University contributions and proportionate share of contributions	2,037,255	-
University contributions subsequent to the measurement date	3,459,247	-
Total	\$ 17,571,512	\$ 174,695



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The deferred outflows of resources totaling \$3,459,247 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	\$ 2,550,325
2019	2,550,325
2020	2,542,940
2021	2,539,396
2022	2,091,116
Thereafter	1,663,468
Total	<u>\$ 13,937,570</u>

Actuarial Assumptions - The total pension liability at July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation2.60 percent
- Salary Increases.....3.25 percent, average, including inflation
- Municipal Bond Rate2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate - The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 3.80 percent from the prior measurement date.

Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.85 percent) or 1 percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
University’s proportionate share of the net pension liability	\$ 87,992,686	\$ 76,700,313	\$ 67,328,262

Pension Plan Fiduciary Net Position - Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

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RETIREMENT PLANS - DEFINED CONTRIBUTION PENSION PLANS

FRS INVESTMENT PLAN

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or

DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

Class or Plan	Percent of Gross Compensation
Florida Retirement System, Regular	6.30
Florida Retirement System, Senior Management Service	7.67
Florida Retirement System, Special Risk	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's contributions to the Investment Plan totaled \$3,122,270 and employee contributions totaled \$1,199,537 for the 2016-17 fiscal year.

STATE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM

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

The ORP 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 ORP, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.83 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 7.98 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the ORP totaled \$18,507,588 and employee contributions totaled \$11,765,302 for the 2016-17 fiscal year.



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Florida State University - A Component Unit of the State of Florida

11 CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2017, are as follows:

Project Description	Total Commitment	Completed to Date	Committed Balance
Earth, Ocean, and Atmospheric Science Building	\$ 46,850,000	\$ 6,895,098	\$ 39,954,902
Student Union Expansion	18,751,607	209,697	18,541,910
Technology Services Building Renovations	7,500,000	123	7,499,877
Jim Moran Building Renovations	8,015,734	1,443,321	6,572,413
Seminole Dining Improvements	6,354,844	828	6,354,016
Donald L. Tucker Civic Center Renovations	5,940,286	327,100	5,613,186
Other (1)	175,056,771	119,823,838	55,232,933
Total	\$ 268,469,242	\$ 128,700,005	\$ 139,769,237

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

12 RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2016-17 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$85 million for named windstorm and flood losses through February 14, 2017, and increased to \$92.5 million starting February 15, 2017. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million through February 14, 2017, and increased to \$225 million starting February 15, 2017; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

UNIVERSITY SELF-INSURANCE PROGRAM

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

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

The Self-Insurance Program’s estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2016-17 fiscal year are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/ Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2015-16	\$ 945,174	\$ 96,001	\$ (460,906)	\$ 580,269
2016-17	580,269	(55,999)	(464)	523,806

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FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	\$ 380,058,285
Research	147,371,885
Public Service	36,050,451
Academic Support	90,724,317
Student Services	51,449,789
Institutional Support	63,444,525
Operation and Maintenance of Plant	70,018,046
Scholarships and Fellowships	83,229,398
Depreciation	79,503,857
Auxiliary Enterprises	146,097,995
Loan Operations	407,098
Total Operating Expenses	\$ 1,148,355,646





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Florida State University - A Component Unit of the State of Florida

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SEGMENT INFORMATION

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

Condensed Statement of Net Position

Assets

	Parking Facility	Housing Facility
Current Assets	\$ 4,500,907	\$ 59,333,087
Capital Assets, Net	71,454,846	290,493,728
Other Noncurrent Assets	2,683,133	18,116,264
Total Assets	78,638,886	367,943,079

Liabilities

Current Liabilities	3,839,485	16,992,488
Noncurrent Liabilities	31,495,909	181,972,193
Total Liabilities	35,335,394	198,964,681

Net Position

Net Investment in Capital Assets	36,476,590	100,895,499
Restricted - Expendable	2,639,575	14,760,946
Unrestricted	4,187,327	53,321,953
Total Net Position	\$ 43,303,492	\$ 168,978,398

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

Operating Revenues	\$ 12,064,191	\$ 42,485,845
Depreciation Expense	(1,982,015)	(6,127,275)
Other Operating Expenses	(6,763,035)	(22,735,543)
Operating Income	3,319,141	13,623,027
Net Nonoperating Expenses	(1,681,180)	(12,859,779)
Income Before Other Revenues, Expenses, Gains, or Losses	1,637,961	763,248
Other Revenues, Expenses, Gains, or Losses	(115,120)	(4,988,022)
Increase (Decrease) in Net Position	1,522,841	(4,224,774)
Net Position, Beginning of Year	41,780,651	173,203,172
Net Position, End of Year	\$ 43,303,492	\$ 168,978,398

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:

Operating Activities	\$ 5,459,106	\$ 19,930,917
Noncapital Financing Activities	(247,268)	(3,219,851)
Capital and Related Financing Activities	(4,722,810)	(46,225,918)
Investing Activities	(490,312)	29,591,154
Net Increase (Decrease) in Cash and Cash Equivalents	(1,284)	76,302
Cash and Cash Equivalents, Beginning of Year	49,500	109,032
Cash and Cash Equivalents, End of Year	\$ 48,216	\$ 185,334

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

Condensed Statement of Net Position		College of Medicine Self-Insurance Program
Assets		
Other Current Assets		\$ 8,879,523
Total Assets		8,879,523
Liabilities		
Other Current Liabilities		127,497
Noncurrent Liabilities		400,809
Total Liabilities		528,306
Net Position		
Restricted		8,351,217
Total Net Position		\$ 8,351,217
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating Revenues		\$ 362,263
Other Operating Expenses		(120,516)
Operating Income		241,747
Other Revenues, Expenses, Gains, and Losses		443,796
Increase in Net Position		685,543
Net Position, Beginning of Year		7,665,674
Net Position, End of Year		\$ 8,351,217
Condensed Statement of Cash Flows		
Net Cash (Used) by:		
Operating Activities		\$ (53,682)
Investing Activities		(438,880)
Financing Activities		(18,347)
Net Decrease in Cash and Cash Equivalents		(510,909)
Cash and Cash Equivalents, Beginning of Year		1,631,495
Cash and Cash Equivalents, End of Year		\$ 1,120,586





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DISCRETELY PRESENTED COMPONENT UNITS

The University has twelve component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements.

	Foundation 6/30/2017	Boosters 6/30/2017	Research Foundation 6/30/2017	International Programs Association 9/30/2016	Florida State University Schools 6/30/2017
Condensed Statement of Net Position					
Assets:					
Current Assets	\$ 86,540,378	\$ 36,589,060	\$ 136,462,713	\$ 18,222,495	\$ 15,887,483
Capital Assets, Net	4,021,137	191,436,169	15,991,686	19,557,148	20,189,355
Other Noncurrent Assets	616,852,838	159,327,734	6,514,455	-	-
Total Assets	707,414,353	387,352,963	158,968,854	37,779,643	36,076,838
Deferred Outflows of Resources	-	2,315,946	-	-	-
Liabilities:					
Current Liabilities	17,669,546	44,963,234	20,326,367	3,537,474	1,262,915
Noncurrent Liabilities	10,668,642	198,614,221	10,202,031	4,565,748	12,854,201
Total Liabilities	28,338,188	243,577,455	30,528,398	8,103,222	14,117,116
Net Position:					
Net Investment in Capital Assets	4,021,137	37,834,016	5,259,655	14,453,149	6,525,852
Restricted	678,801,398	111,001,436	-	-	5,717,532
Unrestricted	(3,746,370)	(2,743,998)	123,180,801	15,223,272	9,716,338
Total Net Position	\$ 679,076,165	\$ 146,091,454	\$ 128,440,456	\$ 29,676,421	\$ 21,959,722
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating Revenues	\$ 38,304,108	\$ 47,213,254	\$ 16,275,303	\$ 18,920,767	\$ 15,310,805
Operating Expenses	60,137,001	56,561,620	14,827,487	15,194,749	14,646,474
Operating Income (Loss)	(21,832,893)	(9,348,366)	1,447,816	3,726,018	664,331
Net Nonoperating Revenues (Expenses)	59,394,545	(4,245,414)	8,815,066	84,315	(587,447)
Other Revenues, Expenses, Gains, and Losses	9,566,721	15,830,437	-	-	215,869
Increase in Net Position	47,128,373	2,236,657	10,262,882	3,810,333	292,753
Net Position, Beginning of Year	631,947,792	143,854,797	118,177,574	25,866,088	21,666,969
Adjustment to Beginning Net Position	-	-	-	-	-
Net Position, End of Year	\$ 679,076,165	\$ 146,091,454	\$ 128,440,456	\$ 29,676,421	\$ 21,959,722



Other Component Units 6/30/2017		Total
\$	15,420,520	\$ 309,122,649
	674,083	251,869,578
	2,908,269	785,603,296
	19,002,872	1,346,595,523
	-	2,315,946
	5,151,223	92,910,759
	-	236,904,843
	5,151,223	329,815,602
	672,554	68,766,363
	3,694,867	799,215,233
	9,484,228	151,114,271
\$	13,851,649	\$ 1,019,095,867
\$	9,589,850	\$ 145,614,087
	9,785,692	171,153,023
	(195,842)	(25,538,936)
	1,833,804	65,294,869
	-	25,613,027
	1,637,962	65,368,960
	12,200,770	953,713,990
	12,917	12,917
\$	13,851,649	\$ 1,019,095,867





OTHER REQUIRED SUPPLEMENTARY INFORMATION

Florida State University - A Component Unit of the State of Florida

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
7/1/2011	-	\$ 137,982,000	\$ 137,982,000	0%	\$ 355,518,953	38.8%
7/1/2013	-	233,811,000	233,811,000	0%	389,854,458	60.0%
7/1/2015	-	140,923,000	140,923,000	0%	423,172,345	33.3%

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

SCHEDULE OF NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

Description	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.72%	0.72%	0.70%	0.55%
University's proportionate share of the FRS net pension liability	\$ 181,310,252	\$ 93,262,711	\$ 42,528,294	\$ 94,644,224
University's covered payroll (2)	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458	\$ 368,648,639
University's proportion of the FRS net pension liability as a percentage of its covered payroll	42.85%	22.91%	10.91%	25.67%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.88%	92.00%	96.09%	88.54%

(1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, State University System optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

SCHEDULE OF CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

Description	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 18,696,925	\$ 17,510,994	\$ 17,604,243	\$ 15,267,633
FRS contributions in relation to the contractually required FRS contribution	(18,696,925)	(17,510,994)	(17,604,243)	(15,267,633)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University covered payroll (2)	\$ 438,212,856	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458
FRS contributions as a percentage of covered payroll	4.27%	4.14%	4.32%	3.92%

(1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, State University System optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Changes of assumptions - The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

SCHEDULE OF NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN

Description	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.66%	0.65%	0.64%	0.62%
University's proportionate share of the HIS net pension liability	\$ 76,700,313	\$ 66,652,215	\$ 59,936,732	\$ 54,347,452
University's covered payroll (2)	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602	\$ 179,775,016
University's proportion of the HIS net pension liability as a percentage of its covered payroll	38.10%	33.95%	31.75%	30.23%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.97%	0.50%	0.99%	1.78%
(1) The amounts presented for each fiscal year were determined as of June 30.				
(2) Covered payroll includes defined benefit plan actives, investment plan members, and member in DROP.				

SCHEDULE OF CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN

Description	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	\$ 3,459,247	\$ 3,373,247	\$ 2,498,290	\$ 2,195,911
HIS contributions in relation to the contractually required FRS contribution	(3,459,247)	(3,373,247)	(2,498,290)	(2,195,911)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University covered payroll (2)	\$ 206,288,311	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602
HIS contributions as a percentage of covered payroll	1.68%	1.68%	1.27%	1.16%
(1) The amounts presented for each fiscal year were determined as of June 30.				
(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.				

Changes of assumptions - As of June 30, 2016, the municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.





Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 6, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

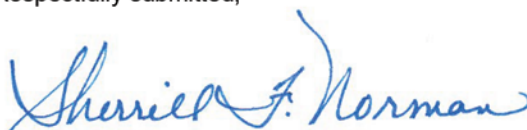
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 6, 2018
Audit Report No. 2018-129





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FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2016-2017

This report is available in alternative format upon request.