

ANNUAL REPORT



THE
FLORIDA STATE
UNIVERSITY

STRENGTH SKILL CHARACTER STRENGTH



2007-2008



ANNUAL REPORT

THE FLORIDA STATE UNIVERSITY

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Rhodes Scholars Garrett Johnson (left) and Joe O'Shea (right) and Goldwater Scholar Rebecca Stone exemplify "Strength, Skill, Character," the traits that embody Florida State University students, who are learning to lead for the greater good.

MESSAGE FROM THE PRESIDENT

Florida State President T.K. Wetherell delivered what he called a "fireside chat" about the state of the world, the state of Florida and the state of Florida State University during the Fall Meeting of the General Faculty, October 31, in the auditorium of the College of Medicine.

Ranging from economics and finance to communications and social networking, Wetherell considered life in 2000 and the changes that have led to conditions in 2008. He concluded that, despite downward national and state trends in many areas, Florida State University has still managed to move forward and achieve success in multiple areas, improving quality in the face of ongoing budget difficulties.

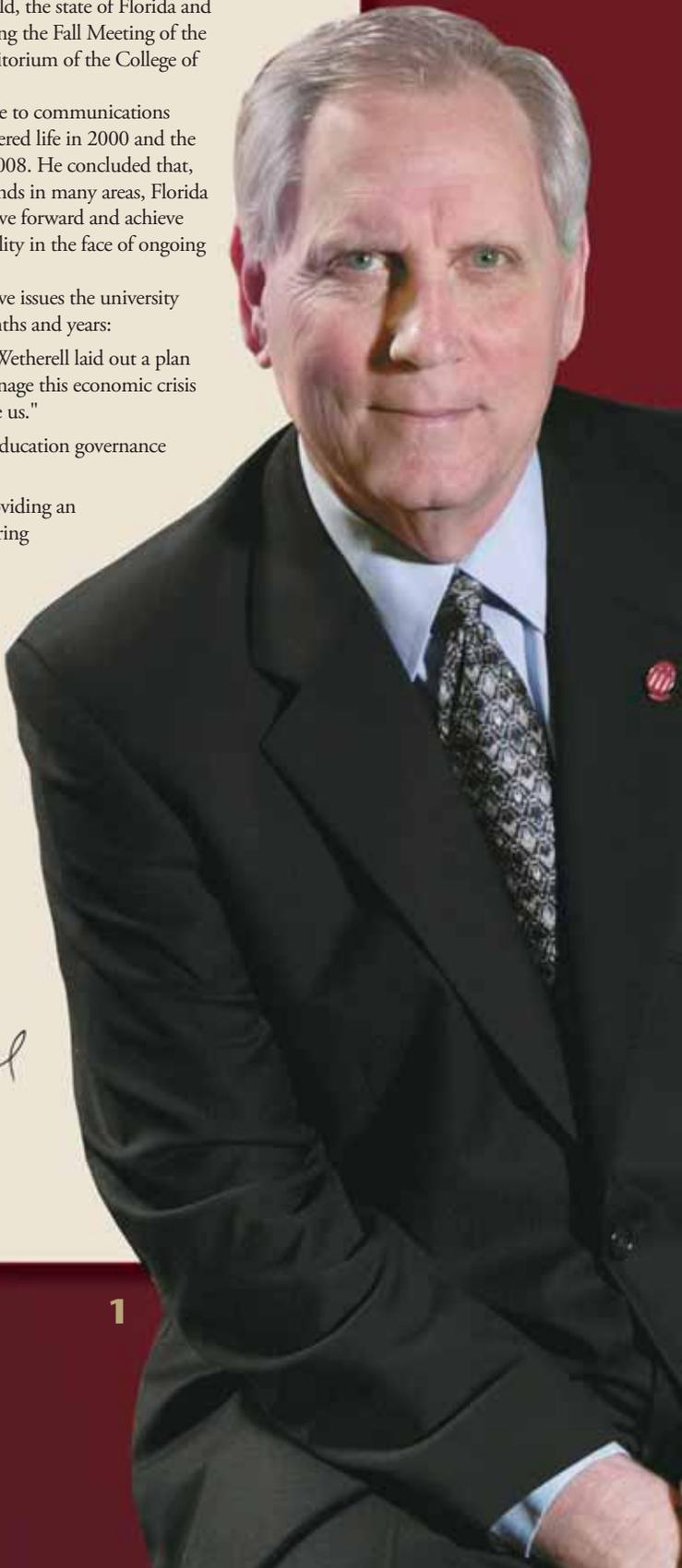
Looking ahead, Wetherell targeted five issues the university must concentrate on in the coming months and years:

1. On the University's fiscal status, Wetherell laid out a plan with the stated goal: "We will manage this economic crisis rather than have the crisis manage us."
2. Advocacy to fix Florida's higher-education governance system
3. Continued focus on students, providing an outstanding education in a nurturing environment with extraordinary interaction with faculty
4. Higher priority for private funding and philanthropic contributions, with a goal of raising \$1 billion in the next seven years
5. Building bridges with our community, including related academic issues

The State of the University address can be viewed online at <http://president.fsu.edu/state/> by clicking on "this link" at the bottom (Windows Media Player and broadband connection required).



FSU President T.K. Wetherell



INTRODUCTION FROM THE SENIOR VICE PRESIDENT FOR FINANCE & ADMINISTRATION

“Change is the law of life.
And those who look only to the past or present
are certain to miss the future.” John F. Kennedy



John R. Carnaghi

Due to the State of Florida's dwindling available revenue, the 2007-08 fiscal year was indeed a time of change here at The Florida State University. We had to plan for our institution's future – while trying not to dream of budget allocations of years past – as we focused on our present financial situation. The initial 2007-08 Educational and General Annual Operating Budget was \$502.3 million, from which we had to almost immediately execute \$21.2 million worth of budget reductions! As one can imagine, it was a challenge to accomplish this major budgetary task while maintaining the University's core mission and continuing to provide university-wide services at the high level of service the campus has come to enjoy and expect. Based on the current reports and projections, it appears these budgetary challenges will continue into the 2008-09 fiscal year as well.

The achievements during this past year clearly demonstrate our institution's ability to adapt to changing conditions. Florida State was fortunate to generate revenue from both research activities and outside donations through several departmental initiatives within the University. In 2007-08, the University received \$195 million through Sponsored Research activities. The University's fundraising programs resulted in more than \$140 million, including \$96 million from the Foundation. However, despite these additional revenues total available assets for the fiscal year decreased as a result of the weak economy.

**“Technology made large
populations possible; large populations
make technology indispensable.”**

John Wood Krutch – American writer

To accommodate the inevitable growth of our campus community – while at the same time receiving reduced State funding – the implementation of emerging technology is and will continue to be a critical component for supporting the University's mission. To assist us in refining our Information Technology (IT) initiatives and in preparation of expanding current technological capabilities, the University hired Western Telecommunications Consulting, Inc. to conduct an assessment of our current organization and processes within the IT support units, as well as to perform an analysis of existing infrastructure and develop standardized recommendations for a converged network. As a result, we are now working on a plan to implement their recommendations. Notwithstanding the lack of appropriate funding this past

fiscal year, there were several noteworthy technological advancements including upgrades to PeopleSoft 9.0 for Human Resources through Enterprise Resource Planning (ERP); conversion to BlackBaud, a new accounting system in Foundation Accounting Services; completion of the Surveillance Camera Project at Doak Campbell Stadium to include monitoring of all gates, as well as peripheral and secure areas; initial implementation of a Global Positioning System (GPS) for the Seminole Express bus service to increase bus schedule efficiency and safety; and initiation of another phase of the strategic sourcing initiative with hosted catalog ordering. The development of a “Virtual Vault”, the digital archiving and information management system, used in the Facilities area was another accomplishment in 2007-08. In addition, Environmental Health & Safety continued their efforts to expand the FSU Alert Emergency Notification System. The University now has 26 ways to notify students, staff, faculty, and visitors of any potential emergency that arises through the use of e-mail, text messages, public address speakers, sirens located around campus and the Internet.

As we look towards 2008-09, Florida State sports fans will see the rollout of the Digital Ticket Exchange where athletic ticket holders can buy, resell, or exchange tickets via the Internet. The FSU Police Department is preparing to standardize their patrol vehicles with in-car video system. And the Ringling Museum is planning to implement a web-based commerce and an online ticketing system. As one can see, technology plays a tremendous role at Florida State. Needless to say, we will continue to actively research innovative ways to improve our services and enhance our systems.

Despite budget cuts, the University continues to be successful in our Public Education Capital Outlay (PECO) funding, as evidenced by the many construction projects completed this past year. Facilities Design and Construction completed 10 major academic projects at a cost of over \$300 million including the new Chemistry, Life Sciences, Dunlap Success Center, Intramural Recreation Complex, and Phase 2 of the Psychology Building. We welcomed new retailers, Chili's and Starbucks, to the campus, and built parking garage #5, which accommodates more than 1,000 parking spaces. Faculty and athletic administrators dedicated the \$10.7 million Morcom Aquatic Center and a \$5.4 million track facility to enhance both the student and student athlete experience.

The pursuit of excellence is our priority as we expand our programs and services to exceed the expectations of students, faculty and staff. There were numerous accomplishments this past year in our campus' customer-based operations. Business Services added a sixth off-campus Seminole Express bus route after identifying a student transportation need. In response to the rising fuel cost, the University negotiated with the City of Tallahassee to allow FSU faculty and staff to ride city-wide, anytime on StarMetro buses free of charge. Dining services grew by 22% with over 4,000 satisfied students purchasing meal plans; bookstore sales grew 11%, and used textbook sales rose \$1.86 million, thereby saving our students \$615,500 off of new book prices.

As the University competes for the best and the brightest new students the issue of our campus' carbon footprint and sustainability efforts becomes increasingly important. Not to mention, as we continue to struggle to operate with reduced resources, we must focus on conservation and energy savings wherever and whenever possible. With this in mind, the University implemented a successful campus-wide Energy Conservation Plan and Utility Savings Program that produced a \$2 million cost savings in campus utilities this past year. Our landscaping crew creatively reused old sidewalk concrete in erosion control projects and to enhance existing gardens. The University recycled 21 tons of used electronics, 189 tons of cardboard and 256 tons of white paper, thus saving over \$70,000. We are pursuing more environmentally friendly practices, such as replacing older, inefficient fleet vehicles with new flex fuel vehicles that can run on either gasoline or E85 ethanol, as we work towards our institutional goal of 'going green'. Sustainability is at the forefront of many of our strategic initiatives, including fostering strong environmental stewardship.

It is an impressive tribute to our staff that we have been able to accomplish so much this past fiscal year with considerably less dollars. If you have not visited Florida State lately, I encourage you to come take a walk around campus to see for yourself all of these remarkable changes. In spite of the events that are occurring in our economy, Florida State will maintain steadfastness, adapt to the changing times, continue to be optimistic, and uphold our dedication to achieving excellence.

FLORIDA STATE UNIVERSITY OVERVIEW

STRENGTH SKILL CHARACTER STRENGTH SKILL CHARACTER

Mission

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

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

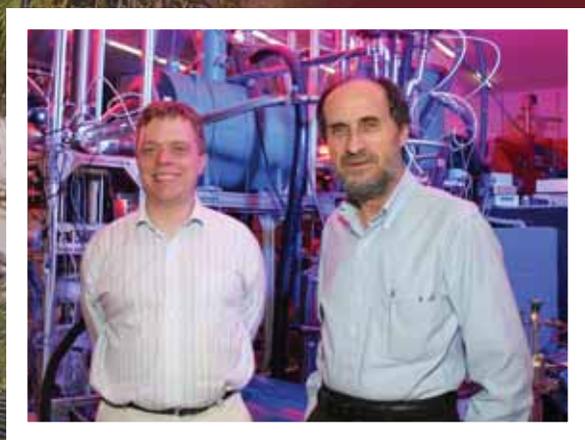
Given its history, location and accomplishments, Florida State does not expect major changes in its mission during the next decade. Rather, it sees further refinement of that mission with concentration on its strong liberal-arts base and on quality improvement.

History

Florida State University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. It has grown from an enrollment of 4,056 in 1947 to an enrollment of 41,065 in the fall semester of 2007.

Campus / Centers / Programs

In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges and schools. It has expanded to over 539 buildings on approximately 1,546 acres, including the downtown Tallahassee main campus of 452 acres, the Ringling Museum of 57 acres and Panama City branch campus of 26 acres. The University also offers degree programs in Sarasota, Florida and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in



From left, Associate Professor Ingo Wiedenhover and Professor Samuel L. Tabor of the Physics Department have begun using a groundbreaking new research facility, RESOLUT, short for "REsonator SOLenoid with Upscale Transmission." They hope to answer "big picture" questions such as: How is matter created? What happens when stars die?

Costa Rica, Croatia, and Italy.

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

Students

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

Graduate students comprise more than 21.4 percent of the student body and are enrolled in 190 graduate degree programs, including 154 fields in 73 doctoral degree programs.

FSU student, Amanda Stone, received a Rotary International Ambassadorial Scholarship to attend Oxford University.



Headcount by School/College (Fall Term)	2007	2006	2005	2004	2003
Arts & Sciences	9,312	9,113	8,629	7,925	7,603
Business	6,308	6,086	6,217	6,302	6,150
Communication	1,752	1,670	1,786	1,858	1,850
Criminology & Criminal Justice	1,378	1,407	1,420	1,529	1,478
Education	3,360	3,396	3,261	2,998	2,870
Engineering	1,739	1,716	1,701	1,652	1,622
Human Sciences	3,174	3,135	3,125	2,887	2,460
Information	1,144	1,139	1,077	1,150	1,153
Law	766	758	764	740	735
Medicine	374	297	229	177	115
Motion Pictures, TV & Recording Arts	181	178	213	221	205
Music	1,184	1,153	1,165	1,152	1,108
Nursing	905	918	961	1,027	946
Social Sciences	4,669	4,385	3,979	3,612	3,420
Social Work	751	792	765	727	673
Theatre (combined)	-	-	-	502	468
Visual Arts, Theatre & Dance	1,829	1,784	1,712	1,206	1,147
Undecided/Special	2,239	2,547	2,648	3,221	3,325
Total	41,065	40,474	39,652	38,886	37,328

Degrees Awarded

	2007	2006	2005	2004	2003
Bachelor's	7,615	7,189	6,938	6,856	6,578
Master's	2,075	1,989	1,821	1,681	1,536
Specialist	62	54	51	44	57
Juris Doctorate	305	233	240	276	208
Doctorate	368	350	325	274	271
M.D.	57	48	36	27	-
Total	10,482	9,863	9,411	9,158	8,650

Freshman Applied, Admitted, and Enrolled

(Fall Term)



Financial Aid Administered

Joe O'Shea (top), former Student Body President and Rhodes Scholar, and Myron Rolle (bottom), student-athlete and the most recent Rhodes Scholar from Florida State University.

	Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	12,738	\$ 19,899,414
Academic Competitiveness Grant (ACG)	2,515	1,173,194
SMART Grant	393	766,310
SEOG	2,024	1,415,567
Federal College Work Study	1,102	1,273,767
Community Service Learning Program	198	244,185
Perkins Student Loans	2,484	4,650,997
Stafford Loans:		
Subsidized	26,103	69,645,752
Unsubsidized	21,590	68,063,615
Plus/Plug	2,206	12,025,190
NFSL/Private Loans	2,124	8,905,382
Total Federal Financial Aid Administered	73,477	\$ 188,063,373
State Programs		
Florida Student Assistance Grants (FSAG)	5,715	4,644,985
Bright Futures Scholarships	38,620	49,933,207
First Generation Grant	1,266	2,397,469
Other States' Scholarships	339	303,428
Total State Scholarships & Grants Administered	45,940	\$ 57,279,089
Institutional Programs		
FSU Delayed Delivery Loans & Emergency Loans	2,341	1,998,016
Merit Scholarships	7,248	7,680,593
Florida State University Grants	12,946	10,765,602
Athletics	939	2,105,431
Other Institutional Grants	738	1,167,005
Total Institutional Loans, Scholarships & Grants Administered	24,212	\$ 23,716,647
Foundation Scholarships	3,371	3,760,326
Private Scholarships	4,686	4,887,954
Tuition Waivers	11,451	36,134,706
Total Financial Aid Administered		\$ 313,842,095

Note: Individuals may receive multiple awards within a year.

Faculty

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

Faculty Data

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/Student Ratio
2003-04	1,736	60	768	1,616	22:1
2004-05	1,794	87	745	1,651	22:1
2005-06	1,842	53	762	1,743	22:1
2006-07	1,868	60	790	1,774	21:1
2007-08	1,932	56	836	1,829	21:1

Libraries

Florida State University's library system, which ranks among the nation's top research libraries, is made up of eight libraries and fifteen subject-specific reading rooms. The libraries' total collection includes more than 3.4 million volumes of books and periodicals, and 9 million microforms. Also, access to 350 subscription databases, 451,700 e-books, and almost 99,000 electronic journals allows students, faculty and staff to do research from their offices or homes.

Research

Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In the 2007-08 fiscal year, Florida State University faculty and administrators generated more than \$195 million in external funding to supplement state funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities and to support the research itself.

On the left, doctoral candidate, Jihun Lee, discusses her research with Michael Blaber, a professor in the Department of Biomedical Sciences, who is researching mutant forms of human protein that have been shown to help the human body grow new blood vessels to restore blood flow in damaged areas of the heart.



Contracts & Grants Awards Received

(In Millions)





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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the University's basic financial statements as shown on pages 12 through 29. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Florida State University and of its aggregate discretely presented component units as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

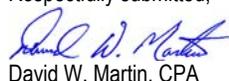
As discussed in note 1 to the financial statements, Florida State University Magnet Research and Development, Inc., a discretely presented component unit of the University, is presenting financial activities from the fiscal period beginning March 5, 2007 (date of inception), through June 30, 2008, and as a result, the University's financial statements include financial activities for this component unit for a 16-month period ended June 30, 2008. This change affects the comparability of amounts reported for the 2007-08 fiscal year with amounts reported for the 2006-07 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2009, on our consideration of the Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is included as a part of our separately issued audit report on the University.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 8 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, the Introduction from the Senior Vice President for Finance & Administration, and the University Overview are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Message from the President (page 1), the Introduction from the Senior Vice President for Finance & Administration (page 2), and the University Overview (pages 3 through 6) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,


David W. Martin, CPA

February 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) provides an overview of Florida State University's financial performance based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles and focus on the University as a whole. This overview is required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes are the responsibility of University management. The MD&A should be read in conjunction with the financial statements and the notes thereto.



Albert J. and Judith A. Dunlap were present at the dedication of the Student Success Center. The center houses the Center for Leadership and Civic Education and the Career Center. The Student Success Center was made possible through the Dunlap's generosity, a \$5 million gift.

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

While audited financial statements for the 2006-07 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases.

Statement of Net Assets

The statement of net assets presents the financial position of the University at fiscal year end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions.

As part of Earth Day 2008, the Sustainable Campus and Community Committee sponsored a campus trash audit on the Oglesby Union Green to illustrate the amount of recyclable items that are thrown away as trash.

Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenses by the University. The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year when considered with nonfinancial facts, such as enrollment levels and the condition of the facilities. The following table shows a condensed statement of net assets at June 30, 2008, and June 30, 2007:

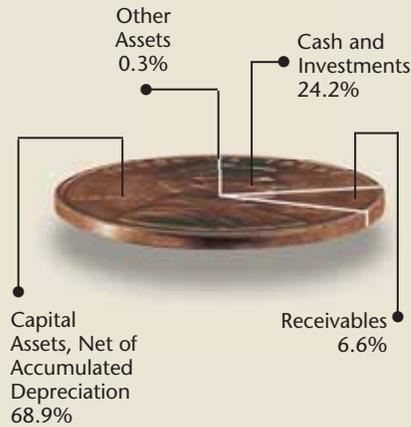
Condensed Statement of Net Assets (In Thousands)

	2007-08	2006-07
Assets		
Current Assets	\$ 607,986	\$ 570,732
Capital Assets, Net	1,472,980	1,327,456
Other Noncurrent Assets	58,474	77,103
Total Assets	2,139,440	1,975,291
Liabilities		
Current Liabilities	122,420	113,873
Noncurrent Liabilities	286,894	280,862
Total Liabilities	409,314	394,735
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	1,226,832	1,096,983
Restricted	190,639	213,191
Unrestricted	312,655	270,382
Total Net Assets	\$ 1,730,126	\$ 1,580,556

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

generally considered to be convertible to cash within one year. The following chart presents assets by percent:

Total Assets



Total assets of the University increased by \$164.1 million. The most significant growth was an increase in net capital assets of \$145.5 million. During the 2007-08 fiscal year, disbursements of \$183.6 million were made for construction to complete buildings, to continue projects in progress, and to begin new construction. Additional capital assets were donated by direct-support organizations. Major projects completed during the 2007-2008 fiscal year include:

Major Projects Completed

(In Thousands)

Project	Amount
Human Performance Lab and Track Facility	\$ 5,068
President's House	5,427
National High Magnetic Field Laboratory	7,537
Satellite Chilled Water Plant II	8,477
Marine Science Research and Training Facility	10,508
Intramural Field Complex	11,722
Life Science Teaching and Research Facility	59,458
Chemistry Building	71,614

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

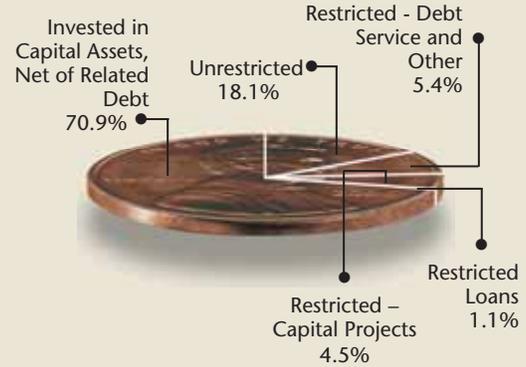
Total Liabilities



As of June 30, 2008, total liabilities were \$409.3 million, compared to \$394.7 million at the end of the 2006-07 fiscal year. A new bond issue for campus parking increased liabilities by \$13.2 million.

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

Total Net Assets



At June 30, 2008, net assets were \$1.73 billion up 9.5 percent from the 2006-2007 fiscal year. The largest increase was invested in capital assets, net of related debt, which grew by \$129.8 million as described above.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the University's revenues earned and the expenses incurred during the 2007-08 fiscal year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. The following table shows a condensed statement of revenues, expenses, and changes in net assets for the 2007-08 and 2006-07 fiscal years:

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

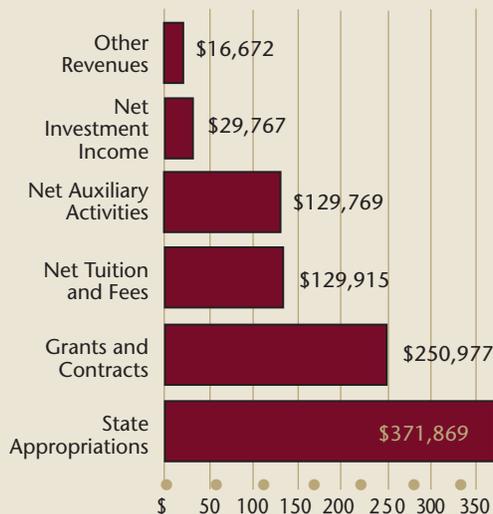
(In Thousands)

	2007-08	2006-07
Operating Revenues	\$ 446,901	\$ 421,367
Operating Expenses	(855,288)	(830,238)
Operating Loss	(408,387)	(408,871)
Net Nonoperating Revenues	456,111	464,154
Income Before Other Revenues, Expenses, Gains, or Losses	47,724	55,283
Net Other Revenues	101,846	158,111
Increase in Net Assets	149,570	213,394
Net Assets, Beginning of Year	1,580,556	1,367,162
Net Assets, End of Year	\$ 1,730,126	\$ 1,580,556

Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including State appropriations, gifts, and investment income, are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets. The following chart presents revenues used to fund operating activities for the 2007-08 fiscal year:

Revenues Used to Fund University Operating Activities

(In Thousands)



Operating revenues increased by 6.1 percent for the 2007-08 fiscal year. Net tuition and fee revenues increased by \$11 million resulting from an overall 1.5 percent increase in headcount enrollment over the previous fall. This was coupled with a 5 percent increase in per-credit-hour undergraduate tuition rates.

The following chart presents expenses (by function) used for operating activities for the 2007-08 fiscal year:



Operating Expenses by Function (In Thousands)

Operating expenses increased 3 percent for the fiscal year. Instructional expenses increased by \$10 million which was due in part by an increase of 64 full-time faculty members.

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities shows all uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling

investments or earning income on cash and investments. Finally, cash flows from the noncapital financing activities include State appropriations, donations and other activities not covered in other sections. The following summarizes cash flows for the 2007-08 and 2006-07 fiscal years:

Condensed Statement of Cash Flows (In Thousands)

	2007-08	2006-07
Cash Provided (Used) By:		
Operating Activities	\$ (357,612)	\$ (339,633)
Noncapital Financing Activities	447,804	462,831
Capital and Related Financing Activities	(78,014)	(78,162)
Investing Activities	(17,602)	(50,751)
Net Decrease in Cash and Cash Equivalents	(5,424)	(5,715)
Cash and Cash Equivalents, Beginning of Year	14,560	20,275
Cash and Cash Equivalents, End of Year	\$9,136	\$14,560

Capital Assets, Capital Expenses and Commitments, and Debt Administration

At June 30, 2008, the University had \$2.1 billion invested in capital assets, less accumulated depreciation of \$0.6 billion, for net capital assets of \$1.5 billion. Depreciation expense totaled \$62.7 million for the 2007-08 fiscal year. Major capital project expenses for the 2007-08 fiscal year included the new Chemistry building (\$30.7 million), the new Psychology Center (\$21.7 million), the new parking Garage No. 5 (\$14.7 million) the new Life Science Teaching and Research building (\$26.8 million), the new Panama City Campus Academic building (\$17.1 million), and the Material Science building (\$13.6 million). See construction commitments detail listed in note 16 to the financial statements. The following table summarizes the University's construction commitments remaining at June 30, 2008:

Construction Commitments

(In Thousands)

Total Committed	Completed to Date	Balance Committed
\$ 243,571	\$ (100,684)	\$ 142,887

At June 30, 2008, the University had \$246.4 million of outstanding bonds compared to \$242.5 million at June 30, 2007. During the 2007-08 fiscal year, \$13.2 million of bonds were issued for campus parking projects.

Economic Factors That Will Affect the Future

The Florida Economic Estimating Conference met in July 2008 to revise the forecast for the State's economy. This forecast anticipates that normal economic growth will not return to Florida until the latter half of the 2009-10 fiscal year. During the 2007-08 fiscal year, \$8.8 million in reductions were made to the beginning operating budget. The beginning budget



2008 College of Medicine graduate Murray Baker places his photo on a map during Match Day in March 2008, indicating he will be a resident in emergency medicine at Shands Jacksonville Medical Center.

for the 2008-09 fiscal year was almost equal to the 2007-08 ending budget (less that 1 percent difference).

Despite budget cuts for the 2007-08 fiscal year, State appropriations totaled \$371.9 million for operations and another \$72 million in capital appropriations. State scholarships and grants of \$57.2 million allowed thousands of students the opportunity for a valuable education.

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

In May 2007, the Legislature approved a differential tuition, which will provide up to a 15 percent per year undergraduate tuition increase for selected universities, including Florida State University, effective fall 2008. In October 2007, the Legislature approved a 5 percent undergraduate tuition increase, effective spring 2008, which the University implemented. Other per-credit-hour fees were increased from 4 to 8 percent effective fall 2008. Effective fall 2009, a technology fee of up to 5 percent of the tuition rate

may be charged.

Increased fee revenues will assist the University in providing quality programs, and the University's direct support organizations never fail to provide assistance in many ways. Foundation and private scholarships remain constant even in lean years.

Once again, the University finished the 2007-08 fiscal year with an increase in total net assets over the previous year and is well positioned to continue providing excellence in educational programs. The University's tuition levels remain relatively low and continue to attract top students. Also, the solid support from the State, the ability to attract new research funding, and the outstanding fundraising capabilities are among the factors indicating a bright future for the University.

Requests for Information

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller's Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306-2390.

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2008
(in thousands)

	University	Component Units
ASSETS:		
Current Assets		
Cash and cash equivalents	\$ 9,016	\$ 36,856
Investments	466,064	53,273
Accounts receivable, net	29,307	35,382
Loans and notes receivable, net	3,655	167
Due from State	86,145	-
Due from component units/university	8,782	5,367
Inventories	3,640	192
Other current assets	1,377	6,505
Total current assets	607,986	137,742
Noncurrent Assets		
Restricted cash and cash equivalents	120	-
Restricted investments	42,353	593,905
Loans and notes receivable, net	14,061	53
Depreciable capital assets, net	1,250,420	130,764
Nondepreciable capital assets	222,560	22,906
Other noncurrent assets	1,940	90,156
Total noncurrent assets	1,531,454	837,784
Total assets	\$ 2,139,440	\$ 975,526
LIABILITIES:		
Current Liabilities		
Accounts payable	\$ 11,621	\$ 29,303
Construction contracts payable	15,038	-
Salaries and wages payable	4,716	290
Deposits payable	5,256	19
Due to other state universities	68	-
Due to State	1,071	-
Due to component units/university	10,562	15,073
Deferred revenue	58,318	25,037
Other current liabilities	956	2,115
Long-term liabilities current portion :		
Bonds payable	9,489	2,600
Loans and notes payable	-	981
Installment purchases payable	1,662	-
Accrued self-insurance claims	81	-
Compensated absences payable	3,582	188
Total current liabilities	122,420	75,606
Noncurrent Liabilities		
Bonds payable	236,889	87,838
Loans and notes payable	-	13,994
Installment purchases payable	2,089	-
Accrued self-insurance claims	731	-
Compensated absences payable	45,287	944
Other noncurrent liabilities	16	23,294
Postemployment health care benefits payable	1,882	-
Total noncurrent liabilities	286,894	126,070
Total liabilities	\$ 409,314	\$ 201,676
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 1,226,832	\$ 45,718
Restricted for nonexpendable:		
Endowment	-	398,029
Restricted for expendable:		
Debt service	874	-
Loans	19,488	-
Capital projects	77,221	-
Other	93,056	192,320
Unrestricted	312,655	137,783
Total net assets	\$ 1,730,126	\$ 773,850

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR FISCAL YEAR ENDED JUNE 30, 2008
(in thousands)

	University	Component Units
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowances of \$90,852 (\$7,290 pledged for the Parking Facility Revenue Bonds)	\$ 129,915	\$ -
Federal grants and contracts	127,591	-
State and local grants and contracts	26,746	-
Nongovernmental grants and contracts	16,208	-
Sales and services of educational departments	1,432	-
Sales and services of auxiliary enterprises (\$1,537 pledged for Parking Facility Revenue Bonds and \$29,378 pledged for Housing Facility Revenue Bonds)	129,769	-
Sales and services of component units	-	24,740
Royalties and licensing fees	-	14,916
Gifts and donations	-	67,129
Interest on loans and notes receivable	213	-
Other operating revenues	15,027	8,306
Total operating revenues	446,901	115,091
OPERATING EXPENSES:		
Compensation and employee benefits	509,667	27,014
Services and supplies	166,978	97,566
Utilities and communications	47,101	1,029
Scholarships, fellowships, and waivers	68,429	-
Depreciation	62,726	5,430
Self-insured claims and expense	387	-
Total operating expenses	855,288	131,039
Operating loss	(408,387)	(15,948)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	371,869	-
Federal and state student financial aid	80,432	-
Investment income	30,525	6,864
Unrealized losses on investments	(758)	(22,164)
Investment expense	-	(21)
Other nonoperating revenue	1,158	4,203
Loss on disposal of capital assets	(3,463)	-
Interest on capital asset-related debt	(10,831)	(4,991)
Other nonoperating expenses	(12,821)	(2,657)
Net nonoperating revenues (expenses)	456,111	(18,766)
Income before other revenues, expenses, gains or losses	47,724	(34,714)
Capital appropriations	71,980	-
Capital grants, contracts, donations, and fees	29,866	7,038
Additions to permanent endowments	-	38,917
Increase in net assets	149,570	11,241
Net assets, beginning of year	1,580,556	762,609
Net assets, end of year	\$ 1,730,126	\$ 773,850

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

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2008

(in thousands)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees, net	\$ 129,917
Grants and contracts	176,760
Sales and services of educational departments	1,453
Sales and services of auxiliary enterprises	133,846
Interest on loans and notes receivable	213
Other operating receipts	12,213
Payments to employees	(521,490)
Payments to suppliers for goods and services	(219,497)
Payments to students for scholarships and fellowships	(68,429)
Loans issued to students	(2,598)
Net cash used by operating activities	(357,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	371,869
Federal and State student financial aid	80,432
Noncapital subsidies and transfers	(5,311)
Net change in funds held for others	278
Other nonoperating receipts	1,071
Other nonoperating disbursements	(535)
Net cash provided by noncapital financing activities	447,804
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	12,938
Capital appropriations	105,241
Capital grants, contracts, donations, and fees	20,776
Capital subsidies and transfers	26,877
Other receipts for capital projects	87
Purchase or construction of capital assets	(223,175)
Principal paid on capital debt	(9,154)
Interest paid on capital debt	(11,604)
Net cash used by capital and related financing activities	(78,014)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	(47,817)
Investment income	30,215
Net cash used by investing activities	(17,602)
Net decrease in cash and cash equivalents	(5,424)
Cash and cash equivalents, beginning of year	14,560
Cash and cash equivalents, end of year	\$ 9,136
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (408,387)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	62,726
Change in assets and liabilities:	
Loans and notes receivable, net	1,605
Other receivables, net	6,340
Other assets	999
Accounts payable	(2,733)
Salaries and wages payable	(14,780)
Accrued insurance claims	387
Deposits payable	(2,149)
Compensated absences payable	1,075
Postemployment health care benefits payable	1,882
Deferred revenue	(627)
Other liabilities	(3,950)
Net cash used by operating activities	\$ (357,612)

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

Summary of Significant Accounting Policies

Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

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

- **The Florida State University Foundation, Inc.** (Foundation) - The University's fund raising and private support programs are accounted for and reported separately by the Foundation. Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. Foundation expenses include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- **Seminole Boosters, Inc.** (Boosters) - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc. as a blended component unit.

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

- **Florida State University International Programs Association, Inc.** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.

- **Florida State University Alumni Association, Inc.** - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the Florida State University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.
- **The Florida State University Research Foundation, Inc.** - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.
- **The John and Mable Ringling Museum of Art Foundation, Inc.** - The Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. An annual agreement is executed between the Museum and the Foundation to allow the Foundation to act as the direct-support organization for the Museum.
- **Florida Medical Practice Plan, Inc.** (FMPP) – FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine.
- **Florida State University Magnet Research and Development, Inc.**, was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of The Florida State University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design. The Magnet Research and Development Organization is presenting financial activities from the fiscal period beginning March 5, 2007 (date of inception), through June 30, 2008, and as a result, the University's financial statements include financial activities for this component unit for a 16-month period ended June 30, 2008. This change affects the comparability of amounts reported for the 2007-08 fiscal year with amounts reported for the 2006-07 fiscal year.

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

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Condensed financial statements are not presented for the following direct support organization that was not operational during the 2007-08 fiscal year.

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

Basis of Presentation

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

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

Basis of Accounting

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

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

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

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

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

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

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

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

Capital Assets

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

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

Noncurrent Liabilities

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

2.

Cash and Cash Equivalents

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

3.

Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and the State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Sections 218.415(17) and 1011.42(5), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pools

The University reported investments at fair value totaling \$508,225,274 at June 30, 2008, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$192,672 at June 30, 2008, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Component Units' Investments

Investments held by the University's component units at June 30, 2008, are reported at fair value as follows:

Investment Type	The Florida State University Foundation, Inc.	Seminole Boosters, Inc.	The Florida State University Research Foundation, Inc.	The John and Mable Ringling Museum of Art Foundation, Inc.	Florida State University Schools, Inc.	Total
External Investment Pools:						
SBA - LGIP	\$ 64,009,281	\$ -	\$ 44,126,351	\$ -	\$ -	\$ 108,135,632
SBA - Fund B	449,597	-	2,572,901	-	-	3,022,498
SBA - CAMP	-	-	78,376,312	-	-	78,376,312
Stocks and Other Equity Securities	186,211,555	5,618,527	-	-	-	191,830,082
U.S. Government Obligations	67,975,910	-	-	1,922,026	860,125	70,758,061
Bonds and Notes	11,577,939	-	-	-	-	11,577,939
Real Estate Contracts	329,860	4,639,133	-	-	-	4,968,993
Money Market and Mutual Funds	10,242,604	29,953,031	-	532,366	-	40,728,001
Investment Agreements	132,674,028	-	-	-	5,106,651	137,780,679
Total Component Units Investments	\$ 473,470,774	\$ 40,210,691	\$ 125,075,564	\$ 2,454,392	\$ 5,966,776	\$ 647,178,197

External Investment Pools

State Board of Administration Local Government Surplus Funds Trust Fund

The Florida State University Foundation, Inc., and The Florida State University Research Foundation, Inc., reported investments at fair value totaling \$64,009,281 and \$44,126,351 respectively, at June 30, 2008, in

the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. These investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. At June 30, 2008, certain significant withdrawals from this Pool may be subject to a 2 percent redemption fee by the SBA. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 20.22 days at June 30, 2008. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the SBA restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish Fund B Surplus Funds Trust Fund. Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the LGIP.

At June 30, 2008, The Florida State University Foundation, Inc., and The Florida State University Research Foundation, Inc., reported investments at fair value of \$449,597 and \$2,572,901 respectively, for amounts held in Fund B. The component units' investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 years. A portfolio's WAL is the dollar-weighted-average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The component units' investment in Fund B is unrated.

State Board of Administration Commingled Asset Management Program

The Florida State University Research Foundation, Inc., reported investments at fair value totaling \$78,376,312 at June 30, 2008, in the Commingled Asset Management Program (CAMP) administered by the SBA. All securities purchased are consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes. These funds are invested in the CAMP Fixed Income Index Pool and the CAMP Domestic Equities Index Pool.

The Research Foundation's written investment policy authorizes investment in highly diversified index funds that utilize futures, options, and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risks. The Research Foundation relies on policies developed by SBA for managing interest rate risk and credit risk for this account. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. These investments pools were not ranked by a nationally recognized rating agency as of June 30, 2008.

Other Investments

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value on an investment. The John and Mable Ringling Museum of Art Foundation, Inc., investment policy limits endowment investments to United States government securities and may use a laddering process with maturities not to exceed five years and operating fund investments to commercial paper, repurchase agreements, certificates of deposit, money market funds, and U.S. Treasury Bills that have maturities of no longer than one year. The Florida State University Schools, Inc. and the Seminole Boosters, Inc. do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, and money market and mutual funds, have their future maturities at June 30, 2008, as follows:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Daily	Less Than 1	1-5
The John and Mable Ringling Museum of Art Foundation, Inc.				
U.S. Government Obligations	\$ 1,922,026	\$ -	\$ 678,494	\$ 1,243,532
Money Market Funds	532,366	-	532,366	-
Total	\$ 2,454,392	\$ -	\$ 1,210,860	\$ 1,243,532
Seminole Boosters, Inc.				
Money Market Funds	\$ 29,953,031	\$ 29,953,031		
Florida State University Schools, Inc.				
U.S. Government Obligations	\$ 860,125	\$ 860,125		

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2008, The John and Mable Ringling Museum of Art Foundation, Inc., had \$532,366 of mutual funds that were not rated and Seminole Boosters, Inc., had \$29,953,031 of money market funds rated as AAAm by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. The John and Mable Ringling Museum of Art Foundation, Inc., the Seminole Boosters, Inc., and the Florida State University Schools, Inc., do not have written investment policies addressing custodial credit risk.

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

4.

Receivables

Accounts Receivable

Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2008, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 7,347,030
Contracts and Grants	16,527,709
Sales and Services of Educational Departments	43,450
Sales and Services of Auxiliary Enterprises	4,475,723
Interest	1,522,280
Other	870,435
<u>Total Accounts Receivable</u>	<u>\$ 30,786,627</u>

Loans and Notes Receivable

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

Allowance for Uncollectible Receivables

Allowances for uncollectible accounts, loans and notes receivable, and contract and grants receivable are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, loans and notes receivable, and contract and grants receivable are reported net of allowances of \$1,428,444, \$1,332,161, and \$51,305, respectively, at June 30, 2008.

5.

Due from State

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

6.

Due from and to Component Units/University

The University's financial statements are reported for the fiscal year ended June 30, 2008. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. Some component units have a fiscal year-end other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net assets do not agree with amounts reported by the component units as due from and to the University.

7.

Inventories

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching

8.

Capital Assets

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

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

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 49,402,082	\$ 115,059	\$ 1,128,206	\$ 48,388,935
Works of Art and Historical Treasures	73,228,645	262,720	5,200	73,486,165
Construction in Progress	137,682,257	174,506,555	211,504,414	100,684,398
Total Nondepreciable Capital Assets	\$ 260,312,984	\$ 174,884,334	\$ 212,637,820	\$ 222,559,498
Depreciable Capital Assets:				
Buildings	\$ 1,096,244,698	\$ 203,666,772	\$ 430,385	\$ 1,299,481,085
Infrastructure and Other Improvements	109,258,709	2,683,828	209	111,942,328
Furniture and Equipment	289,703,773	36,417,800	25,924,074	300,197,499
Library Resources	94,381,695	7,316,546	113,430	101,584,811
Computer Software and Other Capital Assets	27,590,279	806,529	692,799	27,704,009
Total Depreciable Capital Assets	\$ 1,617,179,154	\$ 250,891,475	\$ 27,160,897	\$ 1,840,909,732
Less, Accumulated Depreciation:				
Buildings	\$ 235,994,772	\$ 23,923,808	\$ 176,725	\$ 259,741,855
Infrastructure and Other Improvements	31,833,481	4,060,034	-	35,893,515
Furniture and Equipment	200,746,424	22,692,338	20,956,843	202,481,919
Library Resources	64,346,069	6,766,460	113,430	70,999,099
Computer Software and Other Capital Assets	17,115,797	5,283,410	1,025,754	21,373,453
Total Accumulated Depreciation	\$ 550,036,543	\$ 62,726,050	\$ 22,272,752	\$ 590,489,841
Total Depreciable Capital Assets, Net	\$ 1,067,142,611	\$ 188,165,425	\$ 4,888,145	\$ 1,250,419,891

9.

Deferred Revenue

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2008, to spend the funds and student tuition and fees and other revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2008, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	\$ 35,261,502
Athletic Revenues	11,653,765
Sponsored Research	6,020,354
Housing Fees	5,382,447
Total Deferred Revenue	\$ 58,318,068

10.

Long-term Liabilities

Long-term liabilities of the University at June 30, 2008, include bonds, installment purchases, compensated absences, self-insurance claims, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 242,533,659	\$ 13,230,000	\$ 9,385,999	\$ 246,377,660	\$ 9,488,550
Loans and Notes Payable	3,949,544	-	3,949,544	-	-
Installment Purchases Payable	2,975,618	2,889,498	2,113,894	3,751,222	1,662,071
Compensated Absences Payable	47,794,198	5,110,138	4,034,869	48,869,467	3,582,405
Accrued Self-Insurance Claims	425,269	387,212	-	812,481	81,248
Postemployment Health Care					
Benefits Payable	-	4,479,000	2,597,000	1,882,000	-
Total Long-Term Liabilities	\$ 297,678,288	\$ 26,095,848	\$ 22,081,306	\$ 301,692,830	\$ 14,814,274

11.

Revenue Bonds Payable

The University had the following bonds payable outstanding at June 30, 2008:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1993 Housing	\$ 3,500,000	\$ 2,075,000	3.0	2022
2001 Housing	9,000,000	7,780,631	4.0 - 5.0	2030
2001 Parking	10,310,000	8,005,066	4.3 - 5.125	2022
2001A Housing	25,500,000	22,590,462	4.1 - 5.0	2031
2003A Parking	5,585,000	3,190,679	2.75 - 3.75	2014
2003B Parking	15,645,000	12,696,333	3.0 - 4.5	2023
2004A Housing	23,145,000	20,192,314	2.25 - 4.5	2034
2005A Parking	11,270,000	10,201,927	3.5 - 5.0	2025
2005A Housing	71,285,000	72,668,725	3.5 - 5.0	2035
2005A Dining	10,000,000	9,175,000	5.083 (2)	2025
2007A Parking	13,230,000	12,620,147	3.8 - 4.625	2026
Total Auxiliary Revenue Bonds	<u>198,470,000</u>	<u>181,196,284</u>		
State University System Revenue Bonds:				
1997A Series	13,060,541	9,705,054	4.625 - 5.0	2016
1998 Series	7,501,901	5,344,271	4.4 - 5.0	2023
2001 Series	8,130,986	6,642,155	4.0 - 5.0	2026
2003A Series	10,512,253	5,403,853	5.0	2013
2005A Series	3,947,642	3,446,600	3.625 - 4.125	2022
2006A Series	14,660,596	14,399,443	4.0 - 5.0	2030
Total State University System Revenue Bonds	<u>57,813,919</u>	<u>44,941,376</u>		
2001 Research Foundation Revenue Bonds	22,590,000	20,240,000	4.0 - 4.875	2031
Total	<u>\$ 278,873,919</u>	<u>\$ 246,377,660</u>		

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

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

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

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

On July 17, 2007, the University received proceeds from the Florida State University Parking Facility Revenue Bonds, Series 2007A. The project consists of the construction of a five-level parking garage (No. Five) containing approximately 1,000 parking spaces located on the southeast side of the main campus.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 9,488,550	\$ 11,234,425	\$ 20,722,975
2010	9,893,590	10,868,175	20,761,765
2011	10,262,930	10,477,028	20,739,958
2012	10,678,038	10,059,988	20,738,026
2013	11,165,506	9,620,820	20,786,326
2014-2018	51,736,766	41,018,290	92,755,056
2019-2023	57,121,438	28,760,826	85,882,264
2024-2028	43,840,252	15,887,783	59,728,035
2029-2033	31,544,580	6,191,881	37,736,461
2034-2035	8,420,000	607,800	9,027,800
Subtotal	<u>244,151,650</u>	<u>144,727,016</u>	<u>388,878,666</u>
Less: Unamortized Loss on Refundings	(1,180,942)		(1,180,942)
Plus: Unamortized Premiums and Discounts, Net	3,406,952		3,406,952
Total	<u>\$ 246,377,660</u>	<u>\$ 144,727,016</u>	<u>\$ 391,104,676</u>

12.

Installment Purchases Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$6,563,749. The stated interest rates ranged from 2.43 percent to 6.51 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Amount
2009	\$ 1,717,675
2010	1,263,769
2011	503,424
2012	317,211
2013	79,779
Total Minimum Payments	3,881,858
Less, Amount Representing Interest	(130,636)
Present Value of Minimum Payments	\$ 3,751,222

13.

Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulation 6C-5.920 and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2008, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$48,869,467. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

14.

Post-employment Health Care Benefits

Effective for the 2007-08 fiscal year, the University implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the State Group Health Insurance Program. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$67,043,000 at July 1, 2007, the date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description

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

Funding Policy

Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 566 retirees received postemployment health care benefits. The University provided required contributions of \$2,597,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$3,332,000.

Annual OPEB Cost and Net OPEB Obligation

The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,995,000
Amortization of Unfunded Actuarial Accrued Liability	2,312,000
Interest on Normal Cost and Amortization	172,000
Annual Required Contribution	4,479,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	4,479,000
Contribution Toward the OPEB Cost	(2,597,000)
Increase in Net OPEB Obligation	1,882,000
Net OPEB Obligation, Beginning of Year	-
Net OPEB Obligation, End of Year	\$ 1,882,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), were as follows:

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

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$67,043,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$67,043,000. The covered payroll (annual payroll of active participating employees) was \$355,230,858 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.9 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's initial OPEB actuarial valuation as of July 1, 2007, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the estimated 2007-08 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial health care cost trend rates used for employees not covered by Medicare was 9.6 percent, grading to 5.5 percent in 0.5 percent steps after nine years, and for employees covered by Medicare the initial rate of 9.1 percent was used, grading to 5.5 percent in 0.5 percent steps after eight years. The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open 30 year period. The remaining amortization period at June 30, 2008, was 29 years.

15.

Retirement Programs

Florida Retirement System

The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

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

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$11,855,860, \$15,239,238 and \$15,534,272 respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 551 University participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$2,003,270.

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

State University System Optional Retirement Program

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

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

There were 2,258 University participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$18,055,830 and employee contributions totaled \$8,713,271.

16.

Construction Commitments

The University's major construction commitments at June 30, 2008, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Psychology Center	\$ 28,352,514	\$ 21,729,512	\$ 6,623,002
Johnston Building	19,736,744	214,197	19,522,547
Nursing/Health Facility	7,279,877	-	7,279,877
Ruby Diamond Auditorium	21,540,187	2,332,812	19,207,375
Center for Professional Development	17,331,216	1,026,036	16,305,180
Panama City Academic Building	32,038,647	21,162,622	10,876,025
Other (1)	117,292,629	54,219,219	63,073,410
TOTAL	\$ 243,571,814	\$ 100,684,398	\$ 142,887,416

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

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(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2007-08 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal civil rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

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

University Self-Insurance Program

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

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5) Florida Statutes. The Self-Insurance Program provides: \$250,000 per occurrence protection for participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$100,000 for a claim arising from an occurrence for any one person, \$200,000 for all claims arising from an occurrence, and professional liability required by a hospital for educational purposes not to exceed the per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liabilities for the Self-Insurance Program during the 2007-08 and 2006-07 fiscal years are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2006-07	\$ -	\$ 425,269	\$ -	\$ 425,269
2007-08	425,269	387,212	-	812,481

Functional Distribution of Operating Expenses

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

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

Functional Classification	Amount
Instruction	\$ 249,272,285
Research	109,119,366
Public Service	35,831,364
Academic Support	45,272,147
Student Services	28,538,440
Institutional Support	64,476,687
Operation and Maintenance of Plant	50,870,001
Scholarships and Fellowships	68,428,522
Depreciation	62,726,050
Auxiliary Enterprises	140,394,510
Loan Operations	358,381
Total Operating Expenses	\$ 855,287,753

19.

Segment Information

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

Condensed Statement of Net Assets

	Parking Facility Revenue Bonds	Housing Facility Revenue Bonds
Assets		
Current Assets	\$ 5,255,756	\$ 22,436,142
Capital Assets, Net	62,057,391	169,301,579
Other Noncurrent Assets	4,416,810	14,819,583
Total Assets	71,729,957	206,557,304
Liabilities		
Current Liabilities	4,128,065	9,861,167
Noncurrent Liabilities	44,456,711	122,646,987
Total Liabilities	48,584,776	132,508,154
Net Assets		
Invested in Capital Assets, Net of Related Debt	17,701,527	45,202,417
Restricted - Expendable	2,966,890	15,215,278
Unrestricted	2,476,764	13,631,455
Total Net Assets	\$ 23,145,181	\$ 74,049,150

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

Operating Revenue	\$ 8,827,248	\$ 29,378,127
Operating Expense	(5,202,449)	(18,470,107)
Operating Income	3,624,799	10,908,020
Net Nonoperating Expenses	(900,534)	(4,883,078)
Income Before Other Revenues, Expenses, Gains, or Losses	2,724,265	6,024,942
Other Expenses or Losses	(316,474)	(4,299,142)
Increase in Net Assets	2,407,791	1,725,800
Net Assets, Beginning of Year	20,737,390	72,323,350
Net Assets, End of Year	\$ 23,145,181	\$ 74,049,150

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:

Operating Activities	\$ 4,016,464	\$ 11,270,860
Noncapital Financing Activities	3,345	(4,299,142)
Capital and Related Financing Activities	(4,276,160)	(5,444,387)
Investing Activities	(451,639)	6,171,115
Net Increase (Decrease) in Cash and Cash Equivalents	(707,990)	7,698,446
Cash and Cash Equivalents, Beginning of Year	4,300,107	8,408,095
Cash and Cash Equivalents, End of Year	\$ 3,592,117	\$ 16,106,541

The University has ten component units as discussed in note 1, nine of which had activity during the 2007-08 fiscal year. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

	Direct-Support Organizations			
	The Florida State University Foundation, Inc. 6/30/08	Seminole Boosters, Inc. 6/30/08	Florida State University International Programs Assoc., Inc. 9/30/07	Florida State University Alumni Association, Inc. 6/30/08
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 18,677,396	\$ 47,670,324	\$ 4,886,361	\$ 529,186
Capital Assets, Net	3,053,309	103,977,634	20,124,592	160,660
Other Noncurrent Assets	484,515,816	117,057,657	9,745	338,874
Total Assets	506,246,521	268,705,615	25,020,698	1,028,720
Liabilities:				
Current Liabilities	5,089,213	37,041,334	2,872,659	224,684
Noncurrent Liabilities	6,262,690	85,718,165	13,609,333	15,849
Total Liabilities	11,351,903	122,759,499	16,481,992	240,533
Net Assets:				
Invested in Capital Assets, Net of Related Debt	3,053,309	31,451,298	5,609,649	160,660
Restricted	489,605,143	98,291,105	-	180,191
Unrestricted	2,236,166	16,203,713	2,929,057	447,336
Total Net Assets	\$ 494,894,618	\$ 145,946,116	\$ 8,538,706	\$ 788,187
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 24,293,688	\$ 36,429,470	\$ 13,007,308	\$ 1,720,516
Operating Expenses	44,115,915	38,452,130	11,450,041	2,002,710
Operating Income (Loss)	(19,822,227)	(2,022,660)	1,557,267	(282,194)
Net Nonoperating Revenues/(Expenses)	(16,297,406)	(1,374,189)	(63,757)	1,451,958
Other Revenues or Gains/(Losses)	36,900,115	7,156,674	-	-
Increase (Decrease) in Net Assets	780,482	3,759,825	1,493,510	1,169,764
Net Assets, Beginning of Year	494,114,136	142,186,291	7,045,196	(381,577)
Net Assets, End of Year	\$ 494,894,618	\$ 145,946,116	\$ 8,538,706	\$ 788,187

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				Other	TOTAL
The Florida State University Research Foundation, Inc. 6/30/08	The John and Mable Ringling Museum of Art Foundation, Inc. 6/30/08	Florida Medical Practice Plan, Inc. 12/31/07	Florida State University Magnet Research and Development, Inc. 6/30/08	Florida State University Schools, Inc. 6/30/08	
\$ 46,134,767	\$ 2,334,034	\$ 1,106,067	\$ 748,341	\$ 15,655,418	\$ 137,741,894
3,423,103	208,801	-	-	22,721,403	153,669,502
80,949,213	1,243,532	-	-	-	684,114,837
130,507,083	3,786,367	1,106,067	748,341	38,376,821	975,526,233
27,199,926	92,837	931,216	202,406	1,951,634	75,605,909
413,651	-	-	-	20,050,496	126,070,184
27,613,577	92,837	931,216	202,406	22,002,130	201,676,093
3,058,209	208,802	-	-	2,176,403	45,718,330
-	2,199,460	-	-	72,744	590,348,643
99,835,297	1,285,268	174,851	545,935	14,125,544	137,783,167
\$ 102,893,506	\$ 3,693,530	\$ 174,851	\$ 545,935	\$ 16,374,691	\$ 773,850,140
\$ 13,466,358	\$ 1,633,764	\$ 5,637,249	\$ 1,451,505	\$ 17,451,536	\$ 115,091,394
14,358,299	1,516,960	5,505,045	927,204	12,710,846	131,039,150
(891,941)	116,804	132,204	524,301	4,740,690	(15,947,756)
(1,839,465)	53,262	304	21,634	(718,694)	(18,766,353)
-	(20,238)	-	-	1,919,001	45,955,552
(2,731,406)	149,828	132,508	545,935	5,940,997	11,241,443
105,624,912	3,543,702	42,343	-	10,433,694	762,608,697
\$ 102,893,506	\$ 3,693,530	\$ 174,851	\$ 545,935	\$ 16,374,691	\$ 773,850,140

