



FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2011-2012

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FLORIDA STATE UNIVERSITY ANNUAL REPORT 2011 • 2012

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MESSAGE FROM THE PRESIDENT



Dr. Eric J. Barron

This year at Florida State University, we made important progress in our ongoing effort to be innovative in a challenging economy with a goal of maintaining the high level of quality our students expect and deserve.

When the Board of Trustees approved the 2012-13 fiscal year budget, we were able to present a balanced budget despite a one-time sweep of \$65 million by the Florida Legislature and despite being denied the full 15 percent differential tuition we had requested.

This is a significant accomplishment made possible by excellent collaboration and hard work by our faculty and staff and made even more impressive by the fact that Florida State University is already extraordinarily efficient.

The University rose four spots in the U.S. News & World Report quality rankings, from 46 to 42 among public universities, while simultaneously dropping eight spots in resource rankings, from 204 to 212 among all universities, public and private. No one gets more quality out of a dollar than we do, but without new revenue that quality is in danger.

We know comprehensive research universities such as Florida State University must be able to compete at the highest levels, so this year we took aggressive action:

- We promoted savings throughout the campus.
- We managed to hold academic programs harmless.
- We began to turn the corner in replacing the 50 faculty we are losing each year to higher salaries elsewhere, and this year hired 21 more faculty than we lost.
- With \$4 million, we began to invest in areas of innovation that will move us forward.
- We launched several major interdisciplinary programs to build on the strengths the university already has, such as the Entrepreneurial University, which allows non-business majors to acquire College of Business skills to apply to their own field of study and enhances their chances in the job market.
- And we are excelling in external support of the eight STEM fields; physics, chemistry, biology, mathematics, computer science, engineering, environmental science and psychology — leading the state in four.

As a result, our record this year is excellent. Our incoming students have slightly under a 4.0 GPA. We had yet another finalist for the Rhodes Scholar, and our students are winning all of the most prestigious honors. We reached a new high in the number of doctoral degrees awarded. Our freshman retention rate and graduation rate are outstanding. New programs are bringing national recognition that FSU values and assists its student-veterans at an impressive level.

We are working hard on philanthropy, and we're accountable to our donors. When the university has an urgent need, such as the new indoor practice facility for Athletics, our friends and supporters step up because they know we will tell them how we spend every dollar.

Florida State University is moving forward with confidence and optimism, striving to generate and invest revenue, using its money wisely and in new ways.

We are doing so with one, overarching goal, keeping Florida State as student-centered as possible. We owe it to our students to stay competitive and continue our long, rich history of producing innovators who are well-trained for the job market and ready to lead.

INTRODUCTION FROM THE SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION



John R. Carnaghi

In the 2011-12 fiscal year, the Division of Finance and Administration continued its ongoing efforts to improve the administrative and financial work required to support the University's mission.



Here are a few examples of accomplishments: The Controller's office reduced the cost of producing W-2's, 1098-T tax forms and paper checks for vendors and employees by increasing its electronic processes. Human Resources implemented a new automated system for processing applications and personnel transactions (ePAF+) drastically reducing turn-around time by allowing paperless, auditable, workflow. The Office of Sponsored Research Accounting Services reduced the number of delayed sponsored research award closeouts by implementing a new system to continuously measure progress and refocus and redirect resources.

Our Facilities department continued to deliver quality services that were more lifecycle cost efficient, supported a sustainable environment, and utilized less environmental resources, as evidenced by reduced expenses, less dependency upon environmental resources, a reduction in potentially harmful waste, and an increase in Leadership in Energy and Environmental Design (LEED) Certification for buildings. Nine major projects valued close to \$110 million were completed in 2011-12 while seven major projects estimated at \$154.7 million were in the planning, design and construction phase. Thirty-three projects classified as 'minor' were also successfully completed for \$17.7million and another \$15.5 million worth of significant minor projects got underway.

Florida State University's sustainability efforts saved \$2.8 million through recycling programs and resource and material conservation. These conservation actions included a re-lamping program that reduced annual lighting costs; a steam system upgrade that replaced leaking steam traps with high efficiency units; and retro-commissioning older facilities with a focus on mechanical system efficiency improvements. In addition, more than \$140,000 was generated by selling recyclable materials. FSU's Garnet and Gold Goes Green program continues to be one of the nation's more successful football game day recycling initiatives. During the 2011 season, 22 tons of trash was diverted from the landfill thanks to the dedication of 115 student volunteers.

All of these proactive initiatives are evidence of Florida State University's commitment to getting the most out of every dollar. As a result, we are recognized nationally as one of the most efficient universities in the country.

We will continue to be dedicated to accountability in order to best serve our customers, our outstanding students, and all the citizens of Florida.



UNIVERSITY OVERVIEW

Mission

Florida State University (the 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, the University 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

The University is one of the largest and oldest of eleven units of the Division of Colleges and Universities of the Florida Board of Education. It was established as the Seminary West of the Suwannee by an act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. It has grown from an enrollment of 2,583 in 1946 to an enrollment of over 41,000 in the fall semester of 2011.

Campus/Centers/Programs

In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges, plus the Graduate School. It has expanded to over 533 buildings on approximately 1,588 acres, including the downtown Tallahassee main campus of 446 acres, the Ringling Museum of 57 acres and the Panama City branch campus of 26 acres. The University also offers degree programs in Sarasota, Florida and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in Costa Rica, Croatia, and Italy.

Through Academic and Professional Program Services, the University offers courses and degree programs online and at many off-campus sites around the state, 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.

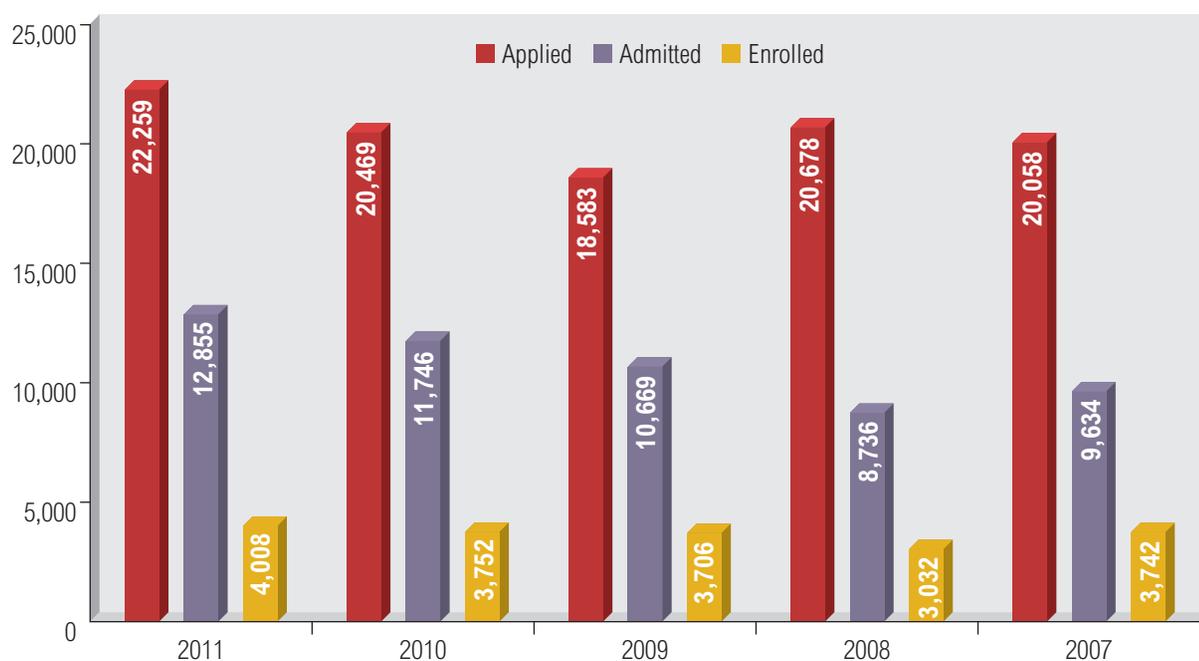
Students

As a major comprehensive residential state university, the University attracts students from every county in Florida, every state in the nation and 129 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes 104 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. The University also provides alternative admissions and highly successful retention programs for special student populations.

Graduate students comprise 20 percent of the student body and are enrolled in 139 graduate/specialist degree programs, 76 doctoral programs and 2 professional programs.



Freshman Applied, Admitted, and Enrolled (Fall Term)



Headcount by School/College (Fall Term)

	2011	2010	2009	2008	2007
Applied Studies	41	-	-	-	-
Arts & Sciences	10,712	10,046	9,507	8,842	9,312
Business	5,843	5,825	5,985	6,145	6,308
Communication & Information*	2,614	2,701	2,702	1,615	1,752
Criminology & Criminal Justice	1,766	1,653	1,466	1,342	1,378
Education	2,221	2,377	2,642	2,941	3,360
Engineering	1,980	1,873	1,763	1,608	1,739
The Graduate School-Materials Science Program	8	9	4	-	-
Human Sciences	3,021	2,962	3,098	3,170	3,174
Information	-	-	-	1,125	1,144
Law	734	783	768	762	766
Medicine	519	517	490	435	374
Motion Pictures, TV & Recording Arts	174	182	188	181	181
Music	1,160	1,136	1,149	1,120	1,184
Nursing	670	856	902	906	905
Social Sciences & Public Policy	4,886	4,812	4,888	4,704	4,669
Social Work	815	741	675	694	751
Visual Arts, Theatre & Dance	1,540	1,576	1,535	1,615	1,829
Undecided/Special	3,006	2,789	2,493	1,931	2,239
Total	41,710	40,838	40,255	39,136	41,065

*The College of Communication and the College of Information merged in Fall 2009 to form the College of Communication and Information.

Degrees Awarded - Academic Year

	2011-12	2010-11	2009-10	2008-09	2007-08
Bachelor's	7,860	7,818	7,927	7,630	7,615
Master's	2,142	2,210	2,203	2,129	2,075
Specialist	59	59	42	47	62
Juris Doctorate	288	268	249	263	305
Doctorate	444	429	340	343	368
M.D.	118	113	94	74	57
Total	10,911	10,897	10,855	10,486	10,482

Faculty

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



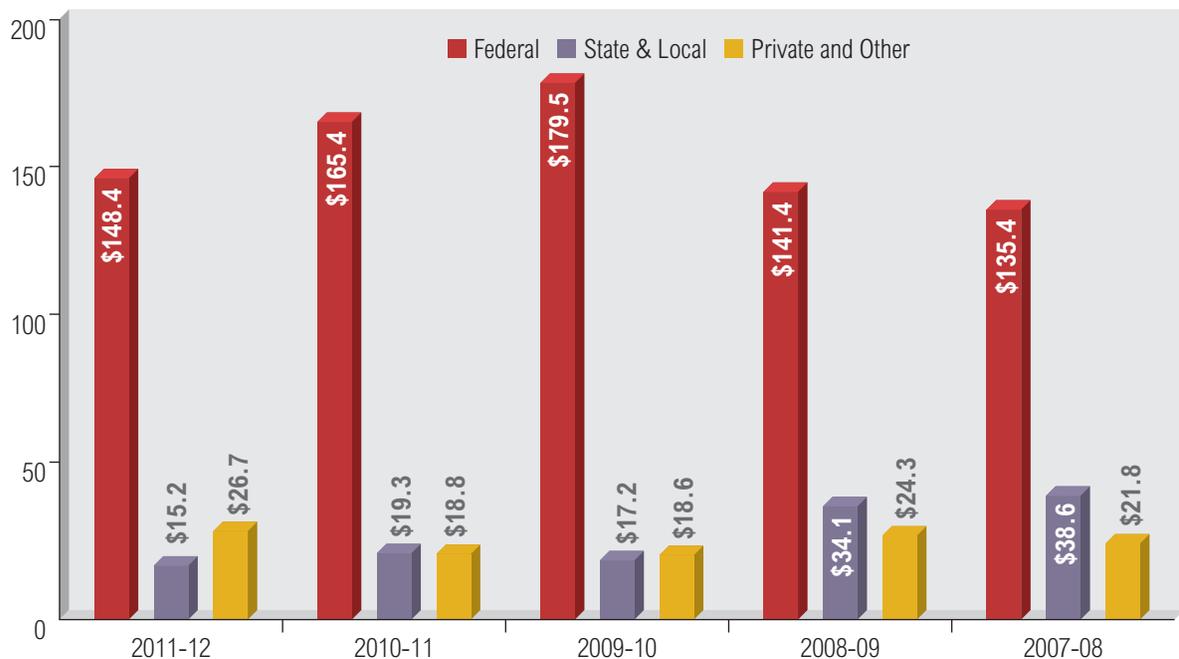
Faculty Data

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/Student Ratio
2007-08	1,932	56	836	1,829	21:1
2008-09	1,944	65	822	1,848	21:1
2009-10	1,835	59	825	1,742	22:1
2010-11	1,791	66	829	1,708	22:1
2011-12	1,779	65	812	1,696	26:1

Research

Since its designation as a university in 1947, the University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In the 2011-12 fiscal year, the University faculty and administrators generated more than \$190 million in external funding to supplement state funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities and to support the research itself.

Contracts & Grants Awards Received (in millions)



Libraries

The University's library system, which ranks among the nation's top research libraries, is made up of eight libraries on campus. The libraries' total collection includes more than 2.8 million volumes of books and periodicals. Also, access to 746 databases, 878,189 e-books and 53,691 e-journals allows students, faculty and staff to do research from their offices or homes.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. 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, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State University and of its aggregate discretely presented component units as of June 30, 2012, 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.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Message from the President, the Introduction from the Senior Vice President for Finance and Administration, and the University Overview, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Message from the President, the Introduction from the Senior Vice President for Finance and Administration, and the University Overview 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
December 19, 2012
Audit Report No. 2013-072

MANAGEMENT'S DISCUSSION & ANALYSIS

The management's discussion & analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion & Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$2.5 billion at June 30, 2012. This balance reflects a \$17.6 million, or 1 percent, increase as compared to the 2010-11 fiscal year resulting from a \$67 million, or 4 percent, increase in net capital assets due to the addition of several new buildings and infrastructure. Total investments decreased by \$18.9 million, or 2.8 percent, due in part to a \$38.5 million decrease in restricted investments due to the funding of several capital projects. While assets grew, liabilities decreased by \$19.3 million, or 4.5 percent, totaling \$412.3 million at June 30, 2012, as compared to \$431.6 million at June 30, 2011. Deferred revenue decreased by \$14.5 million, or 35.6 percent, due to a reduction in approved State sponsored capital appropriations. As a result, the University's net assets increased by \$36.9 million, resulting in a year end balance of \$2.1 billion.

The University's operating revenues totaled \$535.3 million for the 2011-12 fiscal year, representing a 7.5 percent increase over the 2010-11 fiscal year due mainly to an increase in tuition and fees. Operating expenses totaled \$936.1 million for the 2011-12 fiscal year, representing a decrease of less than 1 percent over the 2010-11 fiscal year primarily due to a \$10.5 million, or 11.8 percent, reduction in scholarships, fellowships and waivers resulting from the reduction in Federal and State financial aid support the University received which was partially offset by additional university funded financial aid support. Services and supplies increased by \$15.2 million, or 8.7 percent, primarily due to an increase in the capitalization threshold for tangible personal property from \$1,000 to \$5,000.

Net nonoperating revenues totaled \$399.1 million, representing a decrease of \$94.3 million, or 19.1 percent, from the 2010-11 fiscal year. This decrease is primarily due to the reduction of state noncapital appropriations in the amount of \$27.7 million; federal and state funded financial aid by \$17.7 million; and the cessation of the State Appropriated American Recovery and Reinvestment Act funding by \$23.6 million. In addition, other nonoperating expenses increased by \$28.7 million mainly due to the removal of capital assets costing between \$1,000 and \$4,999 as a result of an increase in the capitalization threshold of tangible personal property.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, 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. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University reporting entity as a blended component unit. In addition, nine direct-support organizations and the Florida State University Schools, Inc. are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.



MANAGEMENT'S DISCUSSION & ANALYSIS



THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets at June 30 (in thousands)

	2012	2011
Assets		
Current Assets	\$ 704,840	\$ 713,008
Capital Assets, Net	1,734,902	1,667,918
Other Noncurrent Assets	58,987	100,210
Total Assets	2,498,729	2,481,136
Liabilities		
Current Liabilities	94,133	116,710
Noncurrent Liabilities	318,117	314,865
Total Liabilities	412,250	431,575
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,508,120	1,468,820
Restricted	168,553	175,501
Unrestricted	409,806	405,240
Total Net Assets	\$ 2,086,479	\$ 2,049,561

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

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

The following summarizes the University's activity for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years (in thousands)

	2011-12	2010-11
Operating Revenues	\$ 535,329	\$ 497,906
Less, Operating Expenses	(936,058)	(941,521)
Operating Loss	(400,729)	(443,615)
Net Nonoperating Revenues	399,058	493,335
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		
	(1,671)	49,720
Other Revenues, Expenses, Gains, or Losses	38,589	68,668
Net Increase in Net Assets	36,918	118,388
Net Assets, Beginning of Year	2,049,561	1,931,173
Net Assets, End of Year	\$ 2,086,479	\$ 2,049,561

OPERATING REVENUES

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

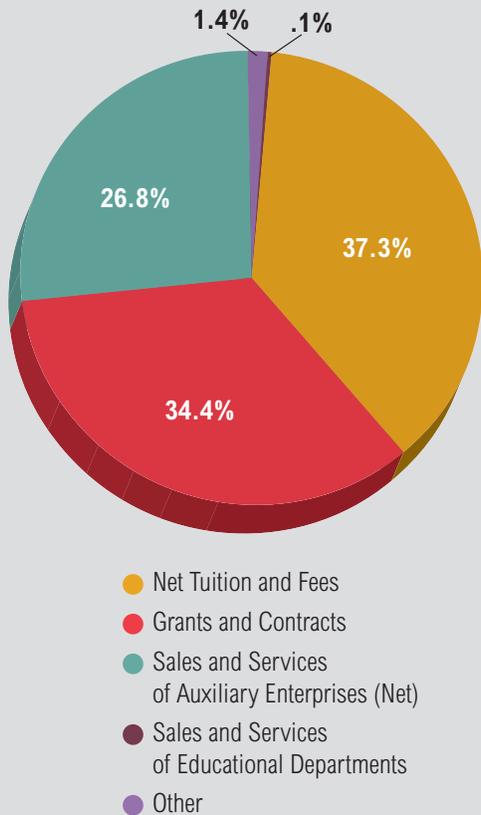
The following summarizes the operating revenues by source that were used to fund operating activities for the 2011-12 and 2010-11 fiscal years:

Operating Revenues (in thousands)

	2011-12	2010-11
Net Tuition and Fees	\$ 199,964	\$ 171,636
Grants and Contracts	184,335	186,092
Sales and Services of Educational Departments	413	420
Sales and Services of Auxiliary Enterprises (Net)	143,372	133,147
Other	7,245	6,611
Total Operating Revenues	\$ 535,329	\$ 497,906

The following chart presents the University's operating revenues for the 2011-12 fiscal year:

OPERATING REVENUES



The following chart presents the University's operating expenses for the 2011-12 and 2010-11 fiscal years:

OPERATING EXPENSES

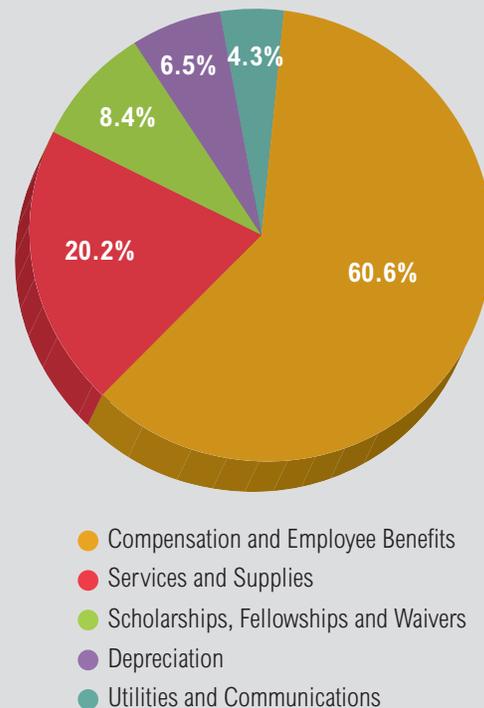
Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University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

The following summarizes the operating expenses by natural classifications for the 2011-12 and 2010-11 fiscal years:

Operating Expenses for the Fiscal Years (in thousands)

	2011-12	2010-11
Compensation and Employee Benefits	\$ 567,584	\$ 570,758
Services and Supplies	189,249	174,047
Utilities and Communications	40,149	41,492
Scholarships, Fellowships, and Waivers	78,739	89,279
Depreciation	60,337	65,945
Total Operating Expenses	\$ 936,058	\$ 941,521

OPERATING EXPENSES



MANAGEMENT'S DISCUSSION & ANALYSIS

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses)

(in thousands)

	2011-12	2010-11
State Noncapital Appropriations	\$ 285,598	\$ 313,308
Federal and State Student Financial Aid	96,727	114,475
State Appropriated American Recovery and Reinvestment Act	-	23,585
Net Increase in the Fair Value of Investments	4,227	12
Investment Income	15,727	15,750
Noncapital Grants, Contracts and Gifts	37,503	38,637
Other Nonoperating Revenues	294	2,342
Loss on Disposal of Capital Assets	-	(1,977)
Interest on Capital Asset-Related Debt	(8,007)	(8,455)
Other Nonoperating Expenses	(33,011)	(4,342)
Net Nonoperating Revenues	\$ 399,058	\$ 493,335

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

Other Revenues, Expenses, Gains, or Losses

(in thousands)

	2011-12	2010-11
State Capital Appropriations	\$ 19,087	\$ 56,600
Capital Grants, Contracts, Donations, and Fees	19,502	12,068
Total	\$ 38,589	\$ 68,668

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating

activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

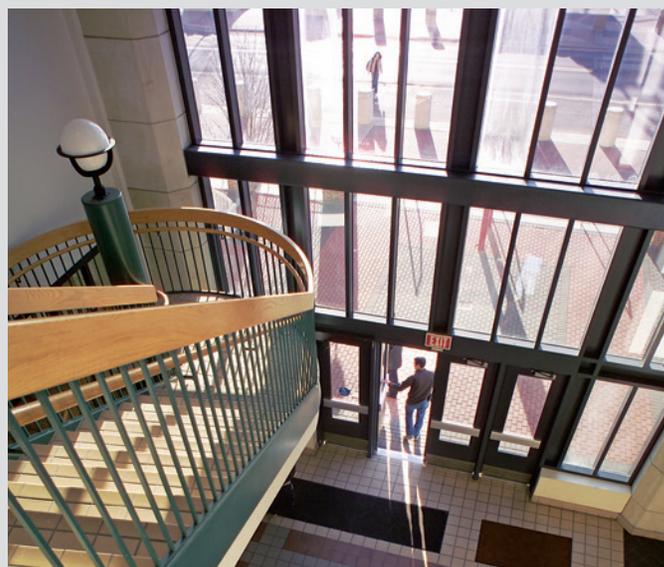
The following summarizes cash flows for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Cash Flows

(in thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (326,404)	\$ (368,150)
Noncapital Financing Activities	414,098	500,456
Capital and Related Financing Activities	(125,473)	(37,410)
Investing Activities	39,300	(85,005)
Net Increase in Cash and Cash Equivalents	1,521	9,891
Cash and Cash Equivalents, Beginning of Year	13,321	3,430
Cash and Cash Equivalents, End of Year	\$ 14,842	\$ 13,321

Major sources of funds came from State noncapital appropriations (\$285.6 million), Federal and State student financial aid (\$96.7 million), net student tuition and fees (\$200 million), grants and contracts (\$185.9 million), and sales and services of auxiliary enterprises (net) (\$142.8 million). Major uses of funds were for payments made to and on behalf of employees (\$553.9 million); payments to suppliers (\$230.1 million); payments to and on behalf of students for scholarships (\$78.7 million); and purchase or construction of capital assets (\$144.7 million).



CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the University had \$2.4 billion in capital assets, less accumulated depreciation of \$0.7 billion, for net capital assets of \$1.7 billion. Depreciation charges for the current fiscal year totaled \$60.3 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (in thousands)

	2012	2011
Land	\$ 56,504	\$ 53,111
Construction in Progress	85,527	138,317
Buildings	1,340,428	1,207,346
Infrastructure and Other Improvements	74,423	71,072
Furniture and Equipment	70,483	89,353
Library Resources	32,122	32,991
Works of Art and Historical Treasures	74,032	73,849
Computer Software and Other Capital Assets	1,383	1,879
Capital Assets, Net	\$ 1,734,902	\$ 1,667,918

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2012, were incurred on the following projects: Johnston Building Annex totaling \$1 million and the Wellness Center totaling \$43.5 million. The University's major capital commitments at June 30, 2012, are as follows:

Major Capital Commitments at June 30, 2012 (in thousands)

Total Committed	\$ 142,779
Completed to Date	(85,527)
Balance Committed	\$ 57,252

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

DEBT ADMINISTRATION

As of June 30, 2012, the University had \$235 million in outstanding capital improvement debt payable and \$0.7 million in installment purchases payable, representing a decrease of \$9.2 million, or 3.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30 (in thousands)

	2012	2011
Capital Improvement Debt	\$ 235,029	\$ 243,866
Installment Purchases	712	1,095
Total	\$ 235,741	\$ 244,961

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The condition of the State of Florida's economy is the primary factor impacting the University's future. Due to insufficient available revenues to finance all the needs of the State's 2012-13 budget, the Florida Legislature reduced the State University System's general revenue appropriation by \$300 million, on a one-time basis. The University will utilize existing central reserves to overcome its \$65.8 million share of this reduction, which avoids reductions for academic and administrative departments.

The State funding 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. For the 2011-12 fiscal year, gross tuition and fee revenues increased by \$34 million. This increase was possible due to a legislative approved 8 percent tuition increase for undergraduates and a tuition differential fee that allowed the University to increase undergraduate tuition up to 15 percent. Although there was no legislative approved tuition increase for the 2012-13 academic year, the Florida Board of Governors approved a 13 percent tuition increase for the University, as part of the tuition differential fee.

Once again the University finished the 2011-12 fiscal year with an increase in total net assets over the previous year. It's possible the University may finish the 2012-13 fiscal year with a decrease in total net assets, based on the Legislative action of implementing a nonrecurring reduction in general revenue appropriations. The University's undergraduate tuition levels remain relatively low and continue to attract top students. The ability to attract new research funding will benefit from the University's plan to increase the number of tenured faculty. In addition, the University's outstanding fundraising capability is another factor indicating a potential bright future for the University.

REQUESTS FOR INFORMATION

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

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2012 (IN THOUSANDS)

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 14,792	\$ 33,575
Investments	619,422	124,022
Accounts Receivable, Net	36,086	27,472
Loans and Notes Receivable, Net	2,212	14,783
Due from State	12,067	63
Due from Component Units/University	10,454	10,043
Inventories	2,727	274
Other Current Assets	7,080	1,082
Total Current Assets	704,840	211,314
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	50	60,077
Restricted Investments	43,577	435,575
Loans and Notes Receivable, Net	11,927	218
Depreciable Capital Assets, Net	1,518,839	124,526
Nondepreciable Capital Assets	216,063	23,400
Other Noncurrent Assets	3,433	87,883
Total Noncurrent Assets	1,793,889	731,679
TOTAL ASSETS	\$ 2,498,729	\$ 942,993
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 16,785	\$ 12,720
Construction Contracts Payable	8,916	-
Salaries and Wages Payable	11,516	56
Deposits Payable	4,474	20
Due to State	788	-
Due to Component Units/University	10,407	9,873
Deferred Revenue	26,209	30,950
Other Current Liabilities	941	1,294
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	9,774	-
Bonds Payable	-	3,255
Loans and Notes Payable	-	1,191
Installment Purchases Payable	244	-
Accrued Self-Insurance Claims	242	-
Compensated Absences Payable	3,837	33
Total Current Liabilities	94,133	59,392
Noncurrent Liabilities:		
Capital Improvement Debt Payable	225,255	-
Bonds Payable	-	72,816
Loans and Notes Payable	-	10,610
Installment Purchases Payable	468	-
Accrued Self-Insurance Claims	977	-
Compensated Absences Payable	53,221	959
Other Noncurrent Liabilities	16,534	26,164
Other Postemployment Benefits Payable	21,662	-
Total Noncurrent Liabilities	318,117	110,549
TOTAL LIABILITIES	\$ 412,250	\$ 169,941
NET ASSETS		
Investments in Capital Assets, Net of Related Debt	\$ 1,508,120	\$ 56,236
Restricted for Nonexpendable, Endowment	-	429,226
Restricted for Expendable:		
Debt Service	3,748	-
Loans	3,970	-
Capital Projects	25,866	-
Other	134,969	76,856
Endowment	-	121,813
Unrestricted	409,806	88,921
TOTAL NET ASSETS	2,086,479	773,052
TOTAL LIABILITIES AND NET ASSETS	\$ 2,498,729	\$ 942,993

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, 2012 (IN THOUSANDS)

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of \$123,276 (\$8,958 Pledged for Parking Facility Capital Improvement Debt and \$13,404 Pledged for Health and Wellness Center Capital Improvement Debt)	\$ 199,964	\$ -
Federal Grants and Contracts	156,785	-
State and Local Grants and Contracts	11,885	-
Nongovernmental Grants and Contracts	15,665	-
Sales and Services of Educational Departments	413	-
Sales and Services of Auxiliary Enterprises (\$2,026 Pledged for Parking Facility Capital Improvement Debt, \$35,285 Pledged for Housing Facility Capital Improvement Debt and \$1,795 Pledged for Dining Facility Capital Improvement Debt)	143,372	-
Sales and Services of Component Units	-	22,587
Royalties and Licensing Fees	-	13,349
Gifts and Donations	-	60,072
Interest on Loans and Notes Receivable	268	-
Other Operating Revenues	6,977	23,364
Total Operating Revenues	535,329	119,372
OPERATING EXPENSES		
Compensation and Employee Benefits	567,584	38,678
Services and Supplies	189,249	88,346
Utilities and Communications	40,149	743
Scholarships, Fellowships, and Waivers	78,739	-
Depreciation	60,337	5,639
Total Operating Expenses	936,058	133,406
OPERATING LOSS	(400,729)	(14,034)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	285,598	-
Federal and State Student Financial Aid	96,727	-
Noncapital Grants, Contracts, and Gifts	37,503	-
Investment Income	15,727	6,653
Net Increase (Decrease) in the Fair Value of Investments	4,227	(12,904)
Investment Expense	-	(73)
Other Nonoperating Revenues	294	3,184
Interest on Capital Asset-Related Debt	(8,007)	(704)
Other Nonoperating Expenses	(33,011)	(11,772)
NET NONOPERATING REVENUES (EXPENSES)	399,058	(15,616)
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,671)	(29,650)
State Capital Appropriations	19,087	-
Capital Grants, Contracts, Donations, and Fees	19,502	14,371
Additions to Permanent Endowments	-	18,609
Increase in Net Assets	36,918	3,330
Net Assets, Beginning of Year	2,049,561	769,722
NET ASSETS, END OF YEAR	\$ 2,086,479	\$ 773,052

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

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (IN THOUSANDS)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 199,964
Grants and Contracts	185,862
Sales and Services of Educational Departments	423
Sales and Services of Auxiliary Enterprises	142,839
Interest on Loans and Notes Receivable	268
Other Operating Receipts	7,267
Payments to Employees	(553,891)
Payments to Suppliers for Goods and Services	(229,971)
Payments to Students for Scholarships and Fellowships	(78,739)
Refund on Self-Insurance Claims	1
Loans issued to Students	(2,701)
Collections on Loans to Students	2,274
Net Cash Used by Operating Activities	(326,404)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	285,598
Noncapital Grants, Contracts and Gifts	40,824
Federal and State Student Financial Aid	96,727
Federal Direct Loan Program Receipts	210,332
Federal Direct Loan Program Disbursements	(215,465)
Net Change in Funds Held for Others	(198)
Other Nonoperating Receipts	294
Other Nonoperating Disbursements	(4,014)
Net Cash Provided by Noncapital Financing Activities	414,098
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	28,071
State Capital Appropriations	34,665
Capital Grants, Contracts, Donations, and Fees	3,797
Capital Subsidies and Transfers	500
Purchase or Construction of Capital Assets	(144,662)
Principal Paid on Capital Debt	(37,073)
Interest Paid on Capital Debt	(10,771)
Net Cash Used by Capital and Related Financing Activities	(125,473)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,615,479
Purchase of Investments	(1,592,251)
Investment Income	16,072
Net Cash Provided by Investing Activities	39,300
Net Increase in Cash and Cash Equivalents	1,521
Cash and Cash Equivalents, Beginning of Year	13,321
Cash and Cash Equivalents, End of Year	\$ 14,842
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (400,729)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	60,337
Change in Assets and Liabilities:	
Loans and Notes Receivable, Net	346
Other Receivables, Net	688
Inventories	172
Deferred Charges and Other Assets	(3,293)
Accounts Payable	1,615
Salaries and Wages Payable	2,154
Accrued Insurance Claims	160
Compensated Absences Payable	3,385
Postemployment Healthcare Benefits Payable	8,155
Deferred Revenue	606
NET CASH USED BY OPERATING ACTIVITIES	\$ (326,404)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 4,227
Losses from the write off of capital assets were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (20,824)

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

NOTES TO FINANCIAL STATEMENTS



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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading 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 activities 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's reporting entity as a blended component unit. The Self-Insurance Program was created on July 1, 2006, by the 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. Beginning July 1, 2009 and July 1, 2010, respectively, the faculty and staff of the College of Nursing and the Student Health Center were included under the Self-Insurance Program.

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 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. These legally separate, not-for-profit, corporations are 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. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The 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.

NOTES TO FINANCIAL STATEMENTS

- **Florida State University International Programs Association, Inc. (International Programs Association)** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- **Florida State University Alumni Association, Inc. (Alumni Association)** - The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the University and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.
- **The Florida State University Research Foundation, Inc. (Research Foundation)** - The Research Foundation was established to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.
- **The John and Mable Ringling Museum of Art Foundation, Inc. (Museum Foundation)** - 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. (Magnet Research and Development)** - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the University and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.
- **The Florida State University Real Estate Foundation, Inc. (Real Estate Foundation)** - was approved by the Board of Trustees on June 2, 2011, to receive, hold, manage, lease, develop or sell real estate and to make expenditures, grants, contributions to or for the benefit of the University.

Florida State University Schools, Inc. (School)

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

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

Condensed financial statements are not presented for the following direct support organizations that were not operational during the fiscal year or had activity that was determined to be immaterial to the University's financial statements.

- The Florida State University Performing Arts Center Foundation, Inc., was approved by the Board of Trustees on September 15, 2006, to raise money for building maintenance and improvement for the Center in Sarasota, Florida.
- Florida State University College of Business Investment Fund, Inc., was approved by the Board of Trustees on September 19, 2008, to support a student managed investment fund and other FSU College of Business programs.

BASIS OF PRESENTATION

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

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

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenses, and related assets 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 blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting except for the Foundation, which follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

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 third-party aid.

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

CASH AND CASH EQUIVALENTS

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

NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

University capital assets consist of land; works of art and historical treasures; construction in progress; buildings; infrastructure and other improvements; furniture and equipment; library resources; and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at 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 Florida Board of Governor's approved a revision to Board of Governors Regulation 9.002, *Recording and Marking of Property*, effective July 1, 2011. The revision was intended to achieve administrative efficiencies and cost savings by increasing the capitalization threshold of tangible personal property from \$1,000 to \$5,000. Previously capitalized personal property costing less than \$5,000 and related accumulated depreciation were written off during the 2011-2012 fiscal year. The adjustment column in the capital assets note disclosure shows the change by category resulting from the increase in the threshold.

The change in this threshold resulted in a \$21 million other nonoperating expense in the statement of revenues, expenses and changes in net assets. This is a nonrecurring, noncash item and has been reported in the supplemental disclosure of noncash capital and related financing and investing activities section of the cash flow statement.

The University also has a capitalization threshold of \$50,000 for new buildings and \$100,000 for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

NONCURRENT LIABILITIES

Noncurrent liabilities include capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other noncurrent liabilities, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are amortized over the life of the debt using the straight-line method.

OPERATING REVENUES AND EXPENSES

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

NONOPERATING REVENUES AND EXPENSES

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



INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Sections 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. The University's investments at June 30, 2012 are reported at fair value, as follows:

INVESTMENT MATURITIES

INVESTMENT TYPE	FAIR VALUE	(IN YEARS)	
		LESS THAN 1	1-5
U.S. Treasury Strips	\$ 4,131,600	\$ 498,845	\$ 3,632,755

EXTERNAL INVESTMENT POOLS

The University reported investments at fair value totaling \$655,202,709 at June 30, 2012, 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 A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

STATE BOARD OF ADMINISTRATION DEBT SERVICE ACCOUNTS

The University reported investments at fair value totaling \$3,664,754 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

COMPONENT UNITS INVESTMENTS

Investments held by the University's component units at June 30, 2012, are reported at fair value as follows:

INVESTMENT TYPE	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.	SEMINOLE BOOSTERS, INC.	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.	THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.	THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.	FLORIDA STATE UNIVERSITY SCHOOLS, INC.	TOTAL
External Investment Pools:								
SBA - PRIME	\$ -	\$ -	\$ -	\$ 31,739,713	\$ -	\$ -	\$ -	\$ 31,739,713
SBA - Fund B	-	-	-	945,916	-	-	-	945,916
SBA - CAMPMM - Restricted	-	-	-	222,821	-	-	-	222,821
Certificates of Deposit	-	-	152,850	-	-	-	-	152,850
Money Market Funds	1,331,210	-	-	31,365,643	-	-	4,250,711	36,947,564
U.S. Government Obligations	-	-	-	-	2,215,803	-	-	2,215,803
Domestic Stocks	-	2,761,232	-	43,663,877	-	-	-	46,425,109
Real Estate Investments	423,559	16,033,421	-	-	-	555,000	-	17,011,980
Mutual Funds	277,685,800	21,516,774	-	-	548,727	-	-	299,751,301
Investment Agreements	124,059,254	124,483	-	-	-	-	-	124,183,737
TOTAL	\$ 403,499,823	\$ 40,435,910	\$ 152,850	\$ 107,937,970	\$ 2,764,530	\$ 555,000	\$ 4,250,711	\$559,596,794

NOTES TO FINANCIAL STATEMENTS

EXTERNAL INVESTMENT POOLS

State Board of Administration Florida PRIME - The Research Foundation reported investments at fair value totaling \$31,739,713 at June 30, 2012, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund - On December 4, 2007, the SBA restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). 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 Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the Florida PRIME investment pool.

At June 30, 2012, the Research Foundation reported investments at fair value of \$945,916 in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 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, 2012. 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 Research Foundation reported investments at fair value totaling \$222,821 at June 30, 2012, 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 Money Market Restricted pool (CAMPMM-Restricted).

The Research Foundation's written investment policy authorizes investment in highly diversified index funds that utilize futures, options, and other securities authorized under Section 215.47, Florida Statutes. The Research Foundation's investment policy for these diversified index funds does not specifically address interest rate risk or credit risk. The Research Foundation relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. The SBA has taken the position that participants in the CAMPMM-Restricted pool are required to disclose information related to credit risk and interest rate risk. These investment pools were not ranked by a nationally recognized rating agency as of June 30, 2012. The CAMPMM-Restricted pool principally consists of segregated securities, which are securities originally purchased in the Commingled Asset Management Pool Money Market Fund (CAMPMM) that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; or (4) experienced elevated market illiquidity. Participants in CAMPMM-Restricted pool receive periodic distributions to the extent that CAMPMM-Restricted pool receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken. The weighted-average life (based on expected future cash flows) of CAMPMM-Restricted pool at June 30, 2012, is estimated to be 5.88 years. However, because CAMPMM-Restricted pool consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted-average life.

OTHER COMPONENT UNIT INVESTMENTS

For the component units, the majority of investments are those reported by the 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 of an investment. The Museum Foundation investment policy limits the investment activity of the Fine Arts Endowment to U.S. Government securities with maturities not to exceed five years. The Museum Foundation's investment policy does not limit the investment maturities of the remaining 30 percent of its portfolio as a means of managing its exposure to fair value losses arising from increasing interest rates. The Research Foundation's investment policy limits the weighted average maturity of its investment portfolio to less than eight years. The Boosters and the School do not have written investment policies addressing interest rate risk. Investments of these component units in debt securities, mutual funds, money market funds and certificates of deposit have their future maturities at June 30, 2012, on following page:

INVESTMENT TYPE

INVESTMENT MATURITIES

	FAIR VALUE	(IN YEARS)		
		DAILY	LESS THAN 1	1-5
The John and Mable Ringling Museum of Art Foundation, Inc.				
U.S. Government Obligations	\$ 2,215,803	-	\$ 974,447	\$ 1,241,356
Mutual Funds	548,727	-	548,727	
TOTAL	\$ 2,764,530	\$ -	\$ 1,523,174	\$ 1,241,356
The Florida State University Research Foundation, Inc.				
Money Market Funds	\$ 31,365,643	-	\$ 31,365,643	\$ -
Seminole Boosters, Inc.				
Mutual Funds	\$ 21,516,774	\$ 21,516,774	\$ -	\$ -
Florida State University Alumni Association, Inc.				
Certificates of Deposit	\$ 152,850	\$ -	\$ 152,850	\$ -
Florida State University Schools, Inc.				
Money Market Funds	\$ 4,250,711	\$ 4,250,711	\$ -	\$ -

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, 2012, the Museum Foundation had \$548,727 of mutual funds rated as A-1 by Standard & Poor's, the Boosters had \$21,516,774 of mutual funds rated as AAAM by Standard & Poor's, the Research Foundation had \$31,365,643 of money market funds rated as AAAM by Standard & Poor's, and the School had \$4,250,711 of money market funds rated as Aaa by Standard & 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 Museum Foundation, the Boosters, the Alumni Association, the Research Foundation, and the School 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 Museum Foundation 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 Boosters 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 Research Foundation and the School do not have a written investment policy addressing concentration of credit risk.

3 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, 2012, the University reported the following amounts as accounts receivable:

DESCRIPTION	AMOUNT
Student Tuition and Fees	\$ 10,345,819
Contracts and Grants	17,808,047
Sales and Services of Educational Departments	846
Sales and Services of Auxiliary Enterprises	5,853,148
Interest	1,180,885
Other	2,220,024
TOTAL ACCOUNTS RECEIVABLE	\$ 37,408,769

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 doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$1,323,023 and \$1,956,587, respectively, at June 30, 2012. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

NOTES TO FINANCIAL STATEMENTS

4 DUE FROM STATE

The \$12,066,758 due from the State consists of Public Education Capital Outlay allocations to the University for construction of University facilities.

5 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University’s financial statements are reported for the fiscal year ended June 30, 2012. The University’s component units’ financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net assets do not agree with amounts reported by the component units as due from and to the University.

6 INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, 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, first-in/first-out or last invoice cost method.

7 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

DESCRIPTION	BEGINNING BALANCE	ADJUSTMENTS	ADDITIONS	REDUCTIONS	ENDING BALANCE
Nondepreciable Capital Assets:					
Land	\$ 53,111,005	\$ -	\$ 3,477,800	\$ 85,000	\$ 56,503,805
Works of Art and Historical Treasures	73,848,720	-	277,006	93,706	74,032,020
Construction in Progress	138,316,805	-	118,634,246	171,423,589	85,527,462
TOTAL NONDEPRECIABLE CAPITAL ASSETS	\$ 265,276,530	\$ -	\$ 122,389,052	\$ 171,602,295	\$ 216,063,287
Depreciable Capital Assets:					
Buildings	\$ 1,551,330,602	\$ -	\$ 166,335,591	\$ 1,968,360	\$ 1,715,697,833
Infrastructure and Other Improvements	118,690,840	147,576	7,454,215	-	125,997,479
Furniture and Equipment	324,782,828	88,101,594	21,579,975	6,788,814	251,472,395
Library Resources	121,953,848	-	5,897,790	2,001,248	125,850,390
Computer Software and Other Capital Assets	30,267,347	686,061	355,540	69,429	29,867,397
Total Depreciable Capital Assets	2,147,025,465	88,935,231	201,623,111	10,827,851	2,248,885,494
Less, Accumulated Depreciation:					
Buildings	343,984,763	-	32,311,571	1,026,580	375,269,754
Infrastructure and Other Improvements	47,618,499	81,851	4,038,163	-	51,574,811
Furniture and Equipment	235,429,682	67,527,321	16,605,887	3,519,028	180,989,220
Library Resources	88,962,438	-	6,767,511	2,001,248	93,728,701
Computer Software and Other Capital Assets	28,388,839	502,121	614,039	16,443	28,484,314
Total Accumulated Depreciation	744,384,221	68,111,293	60,337,171	6,563,299	730,046,800
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	\$ 1,402,641,244	\$ 20,823,938	\$ 141,285,940	\$ 4,264,552	\$ 1,518,838,694

The adjustment column in the above table shows the change by category resulting from the increase in the capitalization threshold discussed in Note 1.

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DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2012, to spend the funds, student tuition and fees, and other revenue received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2012, the University reported the following amounts as deferred revenue:

DESCRIPTION	AMOUNT
Capital Appropriations	\$ 2,971,314
Athletic Revenues	12,019,689
Sponsored Research	3,913,800
Housing Fees	7,248,233
Other	55,502
TOTAL DEFERRED REVENUE	\$ 26,208,538

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LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2012, include capital improvement debt payable, installment purchases payable, accrued self-insurance claims payable, compensated absences payable, other noncurrent liabilities, and other postemployment benefits payable. Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or if the University has excess cash in the loan program. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

DESCRIPTION	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION
Capital Improvement Debt Payable	\$ 243,866,436	\$ 26,961,213	\$ 35,798,559	\$ 235,029,090	\$ 9,774,040
Installment Purchases Payable	1,095,028	-	383,322	711,706	243,816
Accrued Self-Insurance Claims	1,058,811	329,679	169,649	1,218,841	241,999
Compensated Absences Payable	53,363,287	7,041,220	3,346,239	57,058,268	3,837,239
Other Noncurrent Liabilities	15,589,758	943,744	-	16,533,502	-
Other Postemployment Benefits Payable	13,507,000	11,692,000	3,537,000	21,662,000	-
TOTAL LONG-TERM LIABILITIES	\$ 328,480,320	\$ 46,967,856	\$ 43,234,769	\$ 332,213,407	\$ 14,097,094



NOTES TO FINANCIAL STATEMENTS

CAPITAL IMPROVEMENT DEBT PAYABLE

The University had the following capital improvement debt payable outstanding at June 30, 2012:

CAPITAL IMPROVEMENT DEBT TYPE AND SERIES	AMOUNT OF ORIGINAL ISSUE	AMOUNT OUTSTANDING (1)	INTEREST RATES (PERCENT)	MATURITY DATE TO
Auxiliary Revenue Debt:				
1993 Housing	\$ 3,500,000	\$ 1,544,339	3.0	2022
2004A Housing	23,145,000	17,346,708	3.25 - 4.5	2034
2005A Housing	71,285,000	65,311,305	4.0 - 5.0	2035
2010A Housing	18,910,000	17,868,634	2.5 - 4.75	2040
2011A Housing	27,745,000	26,961,213	2.0 - 4.125	2031
Total Student Housing Debt	144,585,000	129,032,199		
Student Parking Debt:				
2003A Parking	5,585,000	1,119,318	3.6 - 3.75	2014
2003B Parking	15,645,000	9,873,555	3.5 - 4.5	2023
2005A Parking	11,270,000	8,310,361	4.0 - 5.0	2025
2007A Parking	13,230,000	10,463,047	4.0 - 4.625	2026
2011A Parking	22,145,000	20,637,660	2.5 - 5.25	2031
Total Student Parking Debt	67,875,000	50,403,941		
Auxiliary Debt:				
2005A Dining	10,000,000	7,643,300	5.083	2025
2010A Wellness Center	31,320,000	29,949,650	4.0 - 5.0	2030
Total Auxiliary Debt	253,780,000	217,029,090		
2001 Research Foundation Revenue Debt	22,590,000	18,000,000	4.1 - 4.875	2031
TOTAL CAPITAL IMPROVEMENT DEBT	\$ 276,370,000	\$ 235,029,090		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$253.8 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$328 million, and principal and interest paid for the current year totaled \$18.8 million.

During the 2011-12 fiscal year housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees were as follows:

REVENUE SOURCE	AMOUNT
Housing Rental Income	\$ 35,284,617
Traffic, Parking and Transportation Fees	10,984,340
Food Service Revenues	1,795,564
Student Health Fees	13,404,320

The University issued new long-term capital improvement debt instruments as follows:

- On November 17, 2011, the Board of Governor's issued \$27,745,000 of Florida State University Dormitory Revenue Refunding Debt, Series 2011A with interest rates varying from 2.0 percent to 4.125 percent. The proceeds from this debt were used to defease \$27,340,000 of outstanding State of Florida, Board of Regents, Florida State University Housing Facility Revenue Bonds, Series 2001 and 2001A, maturing in 2030 and 2031, respectively. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$3,810,710 over the next nineteen years and obtained an economic gain of \$2,767,676.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, are as follows:

FISCAL YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2013	\$ 9,810,000	10,273,897	\$ 20,083,897
2014	10,150,000	9,922,901	20,072,901
2015	9,915,000	9,548,553	19,463,553
2016	10,300,000	9,173,674	19,473,674
2017	10,720,000	8,752,622	19,472,622
2018 - 2022	60,465,000	36,753,954	97,218,954
2023 - 2027	57,465,000	23,100,263	80,565,263
2028 - 2032	45,465,000	10,771,625	56,236,625
2033 - 2037	17,175,000	2,624,931	19,799,931
2038 - 2040	3,155,000	304,237	3,459,237
SUBTOTAL	234,620,000	121,226,657	355,846,657
Less: Unamortized Loss on Refundings	1,301,694		1,301,694
Less: Unamortized Deferred Charges	2,376,645		2,376,645
Plus: Unamortized Premiums and Discounts, Net	4,087,429		4,087,429
TOTAL	\$ 235,029,090	\$ 121,226,657	\$ 356,255,747

INSTALLMENT PURCHASES PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$660,645. The stated interest rates ranged from 2.64 percent to 3.78 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

FISCAL YEAR ENDING JUNE 30	AMOUNT
2013	\$ 292,612
2014	134,412
2015	134,412
2016	134,412
2017	100,808
Total Minimum Payments	796,656
Less: Amount Representing Interest	84,950
PRESENT VALUE OF MINIMUM PAYMENTS	\$ 711,706

COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State 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, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$57,058,268. The current portion of the compensated absences liability, \$3,837,239, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (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 report of a public employee retirement system or another entity.

NOTES TO FINANCIAL STATEMENTS

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advanced funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay as you go basis. As of July 1, 2011, the most recent actuarial valuation date, 1,125 retirees received postemployment healthcare benefits. The University provided required contributions of \$3,537,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$4,154,000.

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 parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the 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)	\$ 6,576,000
Amortization of Unfunded Actuarial Accrued Liability	4,599,000
Interest on Normal Cost and Amortization	447,000
Annual Required Contribution	11,622,000
Interest on Net OPEB Obligation	527,000
Adjustment to Annual Required Contribution	(457,000)
Annual OPEB Cost (Expense)	11,692,000
Contribution Toward the OPEB Cost	(3,537,000)
Increase in Net OPEB Obligation	8,155,000
Net OPEB Obligation, Beginning of Year	13,507,000
Net OPEB Obligation, End of Year	\$ 21,662,000

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, 2012, and for the two preceding years, were as follows:

FISCAL YEAR	ANNUAL OPEB COST	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2009 - 10	\$ 8,038,000	38%	\$ 8,632,000
2010 - 11	8,433,000	42%	13,507,000
2011 - 12	11,692,000	30%	21,662,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$137,982,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$137,982,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$355,518,953 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.8 percent.

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. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive 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 OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University's 2011-12 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4

percent per year. Healthcare cost trend rates were 7.24 percent, 8.38 percent, and 8.57 percent for the current and two previous years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and were 5.81 percent, 3.11 percent and 8.42 percent for the current and two previous years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

RETIREMENT PROGRAMS

FLORIDA RETIREMENT SYSTEM

Essentially all regular employees of the University are eligible to enroll as members of the State administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 011-12 fiscal year were as follows:

CLASS OR PLAN	PERCENT OF GROSS SALARY	
	EMPLOYEE	EMPLOYER (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, Special Risk	3.00	14.10
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

NOTES TO FINANCIAL STATEMENTS

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, 2010, June 30, 2011, and June 30, 2012, totaled \$15,671,982, \$17,334,687, and \$11,319,743 respectively, which were equal to the required contributions for each fiscal year.

There were 619 University participants in the Investment Plan during the 2011-12 fiscal year. The University’s contributions including employee contributions to the Investment Plan totaled \$2,138,176, which was equal to the required contribution for the 2011-12 fiscal year.

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 7.92 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 2,152 University participants during the 2011-12 fiscal year. Required employer contributions made to the Program totaled \$14,193,479, and employee contributions totaled \$10,916,168.

11 CONSTRUCTION COMMITMENTS

The University’s construction commitments at June 30, 2012, are as follows:

PROJECT DESCRIPTION	TOTAL COMMITMENT	COMPLETED TO DATE	COMMITTED BALANCE
Johnston Building Annex	\$ 12,353,761	\$ 1,035,375	\$ 11,318,386
Wellness Center	52,703,720	43,524,943	9,178,777
Other (1)	77,721,658	40,967,144	36,754,514
TOTAL	\$ 142,779,139	\$ 85,527,462	\$ 57,251,677

Note: (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(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2011-12 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood losses. In addition, for named windstorm and flood losses the State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm 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 \$200,000 per person and \$300,000 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 fiscal years.

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

UNIVERSITY SELF-INSURANCE PROGRAM

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

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

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2011-12 fiscal year are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2010-11	\$ 1,350,477	\$ (289,032)	\$ (2,634)	\$ 1,058,811
2011-12	1,058,811	161,000	(970)	1,218,841

NOTES TO FINANCIAL STATEMENTS

13 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	\$ 282,292,341
Research	136,732,619
Public Service	27,311,913
Academic Support	60,686,042
Student Services	33,493,781
Institutional Support	46,777,966
Operation and Maintenance of Plant	57,378,330
Scholarships and Fellowships	78,738,751
Depreciation	60,337,171
Auxiliary Enterprises	151,435,693
Loan Operations	873,252
Total Operating Expenses	\$ 936,057,859





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 CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Assets		
Current Assets	\$ 3,749,540	\$ 20,640,706
Capital Assets, Net	76,763,114	194,623,267
Other Noncurrent Assets	3,949,843	32,173,511
Total Assets	84,462,497	247,437,484
Liabilities		
Current Liabilities	4,561,563	13,822,638
Noncurrent Liabilities	47,648,440	126,695,764
Total Liabilities	52,210,003	140,518,402
Net Assets		
Invested in Capital Assets, Net of Related Debt	28,692,585	65,088,942
Restricted - Expendable	2,789,457	30,563,631
Unrestricted	770,452	11,266,509
Total Net Assets	\$ 32,252,494	\$ 106,919,082

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

	PARKING FACILITY CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Operating Revenues	\$ 10,984,340	\$ 35,284,617
Depreciation Expense	(1,804,171)	(4,327,229)
Other Operating Expenses	(4,715,249)	(16,415,729)
Operating Income	4,464,920	14,541,659
Net Nonoperating Expenses	(1,329,308)	(4,564,863)
Income Before Other Revenues, Expenses, Gains, or Losses	3,135,612	9,976,796
Other Revenues, Expenses, Gains, or Losses	(764,677)	(1,033,689)
Increase in Net Assets	2,370,935	8,943,107
Net Assets, Beginning of Year	29,881,559	97,975,975
Net Assets, End of Year	\$ 32,252,494	\$ 106,919,082

CONDENSED STATEMENT OF CASH FLOWS

	PARKING FACILITY CAPITAL IMPROVEMENT DEBT	HOUSING FACILITY CAPITAL IMPROVEMENT DEBT
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,176,398	\$ 18,504,479
Noncapital Financing Activities	(764,677)	(1,033,689)
Capital and Related Financing Activities	(19,163,219)	(21,868,123)
Investing Activities	13,737,425	4,357,682
Net Decrease in Cash and Cash Equivalents	(14,073)	(39,651)
Cash and Cash Equivalents, Beginning of Year	34,236	52,680
Cash and Cash Equivalents, End of Year	\$ 20,163	\$ 13,029

NOTES TO FINANCIAL STATEMENTS



The University has twelve component units as discussed in note 1, ten of which had material activity during the 2011-12 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 (the Florida State University College of Business Investment Fund, Inc. and the Florida State University Performing Arts Center Foundation, Inc. are not presented as they were not operational or had activity that was determined to be immaterial to the University's financial statements):

DIRECT-SUPPORT ORGANIZATIONS

	THE FLORIDA STATE UNIVERSITY FOUNDATION, INC. 6/30/2012	SEMINOLE BOOSTERS, INC. 6/30/2012	FLORIDA STATE UNIVERSITY INTERNATIONAL PROGRAMS ASSOCIATION, INC. 9/30/2011	FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC. 6/30/2012	THE FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC. 6/30/2012
Condensed Statement of Net Assets					
Assets:					
Current Assets	\$ 26,145,102	\$ 45,324,104	\$ 9,198,806	\$ 797,976	\$ 108,300,154
Capital Assets, Net	540,610	92,384,981	19,133,428	71,708	11,023,037
Other Noncurrent Assets	471,564,624	105,911,485	4,306	5,963	3,834,511
TOTAL ASSETS	498,250,336	243,620,570	28,336,540	875,647	123,157,702
Liabilities:					
Current Liabilities	5,789,038	25,486,618	2,338,766	157,141	22,151,583
Noncurrent Liabilities	6,852,373	76,069,500	10,536,761	19,775	311,972
TOTAL LIABILITIES	12,641,411	101,556,118	12,875,527	176,916	22,463,555
Net Assets:					
Invested in Capital Assets, Net of Related Debt	540,610	30,805,785	7,520,967	71,708	10,042,131
Restricted	508,393,642	109,957,322	-	-	-
Unrestricted	(23,325,327)	1,301,345	7,940,046	627,023	90,652,016
TOTAL NET ASSETS	\$ 485,608,925	\$ 142,064,452	\$ 15,461,013	\$ 698,731	\$ 100,694,147
Condensed Statement of Revenues, Expenses, and Changes in Net Assets					
Operating Revenues	\$ 39,371,707	\$ 26,699,592	\$ 13,659,389	\$ 1,751,531	\$ 13,845,760
Operating Expenses	(52,384,472)	(33,296,976)	(11,058,224)	(2,189,623)	(17,843,087)
OPERATING INCOME (LOSS)	(13,012,765)	(6,597,384)	2,601,165	(438,092)	(3,997,327)
Net Nonoperating Revenues (Expenses)	(8,327,486)	(208,509)	(183,832)	385,223	217,648
Other Revenues, Expenses, Gains, and Losses	14,561,548	16,582,244	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(6,778,703)	9,776,351	2,417,333	(52,869)	(3,779,679)
Net Assets, Beginning of Year	492,387,628	132,288,101	13,043,680	751,600	104,473,826
NET ASSETS, END OF YEAR	\$ 485,608,925	\$ 142,064,452	\$ 15,461,013	\$ 698,731	\$ 100,694,147



				OTHER	TOTAL
THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC. 6/30/2012	FLORIDA MEDICAL PRACTICE PLAN, INC. 6/30/2012	FLORIDA STATE UNIVERSITY MAGNET RESEARCH AND DEVELOPMENT, INC. 6/30/2012	THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC. 6/30/2012	FLORIDA STATE UNIVERSITY SCHOOLS, INC. 6/30/2012	
\$ 2,707,195	\$ 3,212,259	\$ 1,452,576	\$ 7,291	\$ 14,168,439	\$ 211,313,902
201,134	-	-	65,000	24,506,026	147,925,924
1,769,272	-	-	555,000	108,272	583,753,433
4,677,601	3,212,259	1,452,576	627,291	38,782,737	942,993,259
69,491	1,292,155	654,580	1,209	1,451,383	59,391,964
-	-	-	-	16,759,092	110,549,473
69,491	1,292,155	654,580	1,209	18,210,475	169,941,437
201,134	-	-	-	7,054,126	56,236,461
2,196,413	-	-	614,804	6,732,233	627,894,414
2,210,563	1,920,104	797,996	11,278	6,785,903	88,920,947
\$ 4,608,110	\$ 1,920,104	\$ 797,996	\$ 626,082	\$ 20,572,262	\$ 773,051,822
\$ 1,556,035	\$ 9,366,824	\$ 1,059,085	\$ 646,993	\$ 11,414,960	\$ 119,371,876
(1,446,636)	(1,758,815)	(839,976)	(20,911)	(12,567,309)	(133,406,029)
109,399	7,608,009	219,109	626,082	(1,152,349)	(14,034,153)
12,205	(7,093,930)	4,297	-	(421,469)	(15,615,853)
-	-	-	-	1,836,370	32,980,162
121,604	514,079	223,406	626,082	262,552	3,330,156
4,486,506	1,406,025	574,590	-	20,309,710	769,721,666
\$ 4,608,110	\$ 1,920,104	\$ 797,996	\$ 626,082	\$ 20,572,262	\$ 773,051,822

OTHER REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS

The July 1, 2011 unfunded actuarial liability of \$137,982,000 was significantly higher than the July 1, 2009 liability of \$107,457,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) - (B) (1)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL [(B-A)/C]
7/1/2007	\$ -	\$ 67,043,000	\$ 67,043,000	0%	\$ 355,230,858	18.9%
7/1/2009	-	107,457,000	107,457,000	0%	344,724,148	31.2%
7/1/2011	-	137,982,000	137,982,000	0%	355,518,953	38.8%

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the 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, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Our **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*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
December 19, 2012
Audit Report No. 2013-072



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PUBLISHER

John R. Carnaghi, Senior Vice President
for Finance & Administration

EDITOR

Jenny Longo, CPA

GRAPHIC DESIGN

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CONTRIBUTING WRITERS

Dianna Norwood

Browning Brooks

OFFICE OF INSTITUTIONAL RESEARCH

Keith Bernstein

Andrew Brady





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FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2011-2012



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