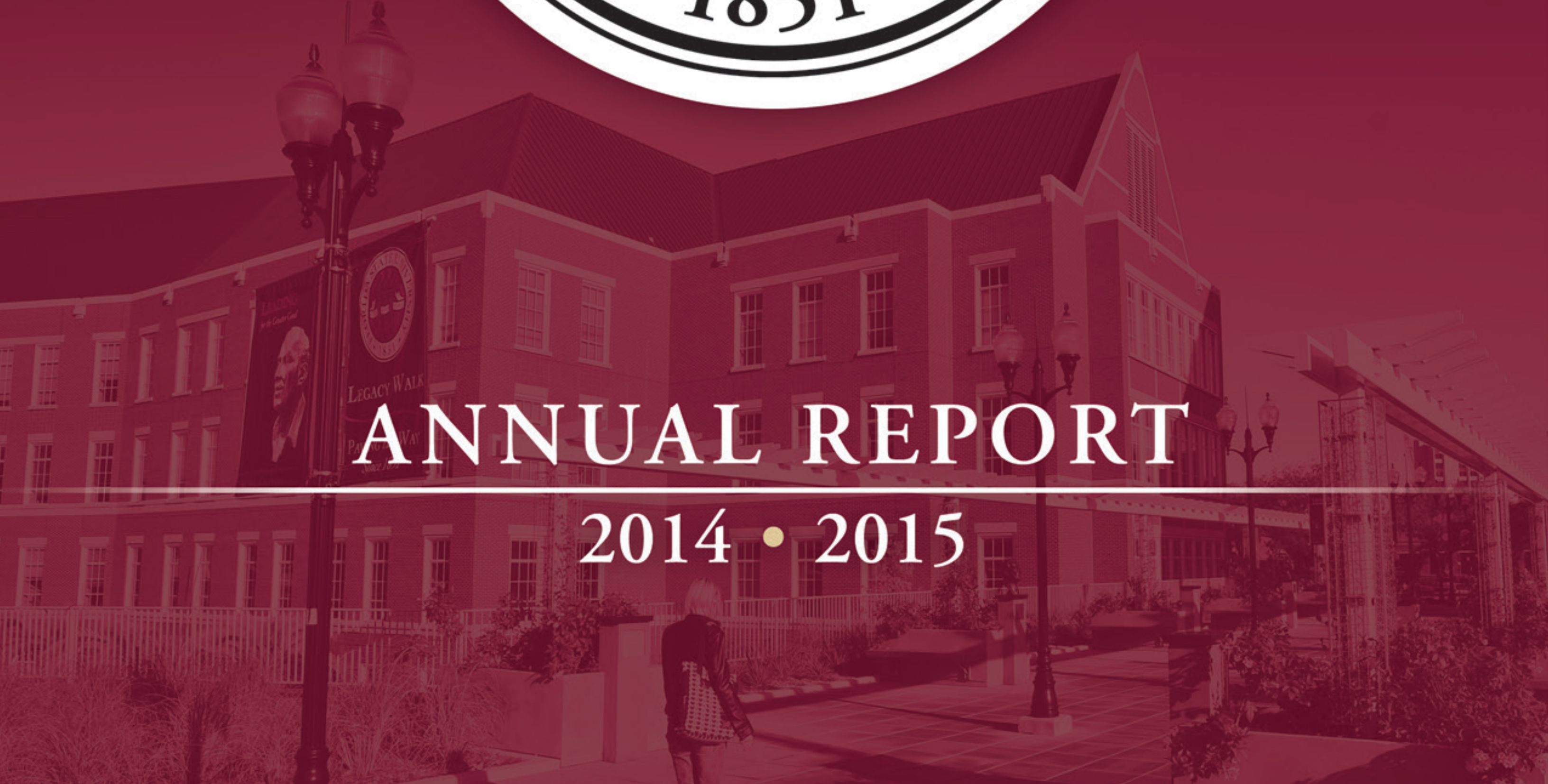
FLORIDA STATE UNIVERSITY



ANNUAL REPORT

2014 • 2015

Florida State University
Annual Report 2014-2015

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Message from the President

As I reflect on the past fiscal year, I can't help but be proud of Florida State University and all that we have accomplished together. With a focus on improving certain academic metrics that will impact national rankings, making strategic investments in expanding research and raising funds for our capital campaign, Florida State University made significant gains in 2015 as we continued to pursue higher levels of excellence.

Our students are among the most academically talented this university has ever seen, and a particular point of pride is our outstanding graduation and retention rates. Our retention rate is 93 percent, and our 6-year graduation rate is 79 percent. That's 9 percentage points above the graduation rate that U.S. News and World Report predicted for that cohort. Only three institutions in the Top 100 exceeded their predicted rate by more than FSU.

In addition to teaching, service and other academic responsibilities, Florida State's innovative faculty actively compete for grants from federal, state and other external sources to support their research. In fact, we hit a significant milestone at the close of this past fiscal year: The five-year aggregate total of research grants and contracts awarded to FSU exceeded $1 billion for the first time. That is more than $560,000 a day for five years including weekends and holidays!

This funding allows faculty and student researchers to pursue new knowledge across academic disciplines to help save lives, improve society and drive human advancement. It is one of the reasons why we are one of the nation's top research universities.

We are also pleased to be recognized by the Florida Legislature as a preeminent university for meeting rigorous standards of excellence. This designation resulted in more funding, which has allowed us to hire additional faculty members, largely in the STEM fields. These new hires include Laura Greene, a member of the National Academy of Sciences, who is serving as chief scientist for the National High Magnetic Field Laboratory. FSU also has hired 25 entrepreneurs-in-residence who are working in colleges across campus to teach our students how to turn their ideas and innovations into practical enterprises.

Our many alumni and friends throughout the country – as well as our faculty, staff and students – are helping us to reach our goals, too, by contributing to "Raise the Torch: The Campaign for Florida State," the most ambitious fundraising effort in the institution's history. We had an excellent year, thanks to our donors, and the campaign is well positioned to not only reach but exceed its $1 billion goal by June 30, 2018.

Florida State can be proud of its many achievements in 2015, and we look forward to continued success in 2016!

John Thrasher, President
Florida State University

Introduction from the Vice President for Finance and Administration

Kyle C. Clark

The sounds of construction can be heard across campus as another productive year draws to a close. Extensive development of new and refurbished campus buildings has been a hallmark of the 2014-2015 year. Coupled with financial and process enhancements, this work continues to strengthen our institution and prepare us for even greater things ahead.

FACILITIES

We have broken ground on several projects that will provide new and renovated facilities to serve our students, faculty, staff, and visitors. We currently have over $580 million worth of capital projects in the planning stages or under construction. As an update on some of these projects:

- Construction began over the summer on a new $65 million building for our Department of Earth, Ocean and Atmospheric Science. This 130,000-square foot facility houses state-of-the-art classrooms, research labs and offices.
- Phase 1 of the $120 million residence hall project to replace Dorman and Deviney halls was completed this year and Phase 2 has begun. This upgrade will provide modern, suite-style living to almost 1,800 students with a new dining concept and common areas for study, lectures, and recreation.
- Eagerly anticipated renovations to Doak Campbell Stadium are underway. The creation of a new club-seating concept in the south end zone is in progress, as well as sky box improvements, structural repairs, painting, and mechanical upgrades.
- Planning for a new College of Business and Student Union has begun.
- Recent improvements to the Donald L. Tucker Civic Center have yielded positive financial returns this year, as well as a historic peak in the usage rate of this great facility.

Additionally, the partnership between Florida State Seminole Golf Course and Seminole Golf Partners has already increased overall net income 101.8%. All the work that goes into our facilities made headlines this year, when FSU was recognized by several national publications as one of the most beautiful college campuses in America.

PREEMINENCE AND PERFORMANCE FUNDING

Florida State completed its first year as one of two preeminent universities designated by the Florida Legislature, resulting in an additional $20 million in funding. The additional preeminence funding expected over the next four years will allow us to continue to boost our research and teaching. In addition, Florida State has been allocated an additional $21 million in performance-based funding for meeting benchmarks established by the Board of Governors. This additional funding will allow us to make a variety of strategic investments designed to prepare students for their careers.

Florida State will continue to use these funds to hire new faculty in the fields of energy and materials sciences, brain research, coastal and marine sciences and other disciplines. We will also continue to focus on hiring entrepreneurs-in-residence to teach students how to turn their ideas and innovations into practical enterprises.

EFFICIENCY AND EFFECTIVENESS

Florida State retained its ranking as one of the most efficient universities in the nation, and we continue to work on hundreds of initiatives that will allow the university to improve even more in this area. From technological improvements, to collaborations with peer institutions, to modernization of space management practices, these initiatives will help us to use our resources even more wisely.

- Florida State continues to spear-head a shared services initiative across the State University System. Stronger collaboration and partnership with universities across the State continues to yield significant cost savings.
- During the year, we began to implement a new web-based budget system. This application has delivered financial consolidation, reporting, and analysis on one platform. These changes have improved alignment of funds with our strategic goals, enhanced accountability, provided more transparency, and generated greater effectiveness.
- Security of the University's financial transactions is a key concern for all of our constituents. In 2015, Florida State began a multi-year project to assess and enhance the security of our payment card processing and system administration solutions. This project is anticipated to result in stronger technological solutions and operating policies that will ensure the ongoing fiscal health of the University.
- We also continue to prioritize significant student-focused efficiencies. We successfully implemented an initiative to disburse financial aid to our students before the start of each semester, beginning with the 2015 summer semester. Additionally, we made excellent progress towards a transportation master plan with more efficient bus routes, alternative transportation methods, and enhanced parking options, and are planning to continue this work in the upcoming year.
- Efficiencies are also being created in our provision of administrative services. University vehicle fleet management, staff cell phone allowances, procurement, space management, and energy conservation have all seen progress. Cell phone allowance improvements alone have reduced expenses by an estimated $100,000 this year. The College of Arts & Sciences has completed the inventory of over 2 million square feet of space, which will contribute to smoother management of University workspace.

JOINT FAMU/FSU ENGINEERING SCHOOL

Florida State is leading the charge for the recently affirmed Florida A&M University/Florida State University joint engineering school. During the upcoming year, we will assume budgetary management, take part in a new twelve-member joint council of university officials from both schools, and work towards complete integration of the academic and student affairs functions of each school.

I am confident that the successes we've enjoyed this year will continue to advance Florida State's national stature. Go Noles!

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 twelve 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 2014.

CAMPUS / CENTERS / PROGRAMS

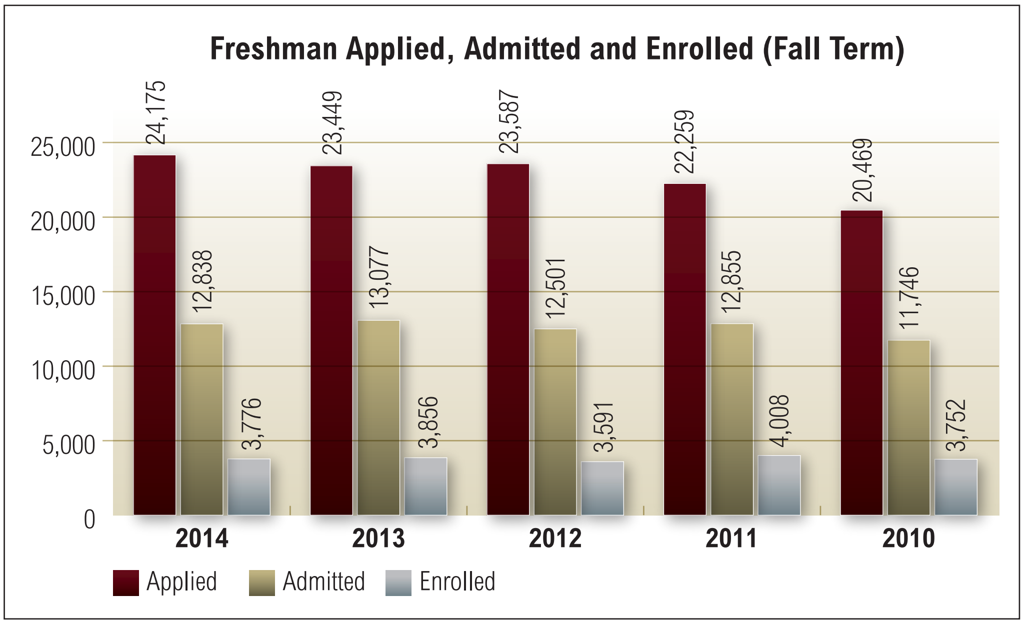
In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges, plus the Graduate School. It has 519 buildings on approximately 1,605 acres, including the downtown Tallahassee main campus of 475 acres, the Ringling Museum of 66 acres and the Panama City 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 134 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes 55 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 19 percent of the student body and are enrolled in 146 graduate/specialist degree programs, 78 doctoral programs and 3 professional programs.



Headcount by School/College (Fall Term)	2014	2013	2012	2011	2010
Applied Studies	285	299	129	41	–
Arts and Sciences	10,959	10,696	10,593	10,712	10,046
Business	5,999	5,755	5,822	5,843	5,825
Communication and Information	2,466	2,479	2,531	2,614	2,701
Criminology and Criminal Justice	1,895	1,915	1,812	1,766	1,653
Education	2,118	2,127	2,187	2,221	2,377
Engineering	2,268	2,183	2,051	1,980	1,873
Fine Arts	1,342	1,419	1,479	1,540	1,576
The Graduate School	18	16	12	8	9
Human Sciences	2,972	3,280	3,246	3,021	2,962
Law	665	709	704	734	783
Medicine	527	527	521	519	517
Motion Pictures Arts	215	211	220	174	182
Music	1,082	1,141	1,149	1,160	1,136
Nursing	388	406	451	670	856
Social Sciences and Public Policy	4,789	4,692	4,770	4,886	4,812
Social Work	917	842	894	815	741
Undecided/Special	2,868	2,780	2,730	3,006	2,789
Total	**41,773**	**41,477**	**41,301**	**41,710**	**40,838**

Degrees Awarded - Academic Year	2014-15	2013-14	2012-13	2011-12	2010-11
Bachelor's	8,268	8,011	7,889	7,860	7,818
Master's	2,117	2,060	2,311	2,142	2,210
Specialist	49	49	52	59	59
Juris Doctorate	269	252	239	288	268
Doctorate	444	436	385	444	429
M.D.	114	115	112	118	113
Total	**11,261**	**10,923**	**10,988**	**10,911**	**10,897**

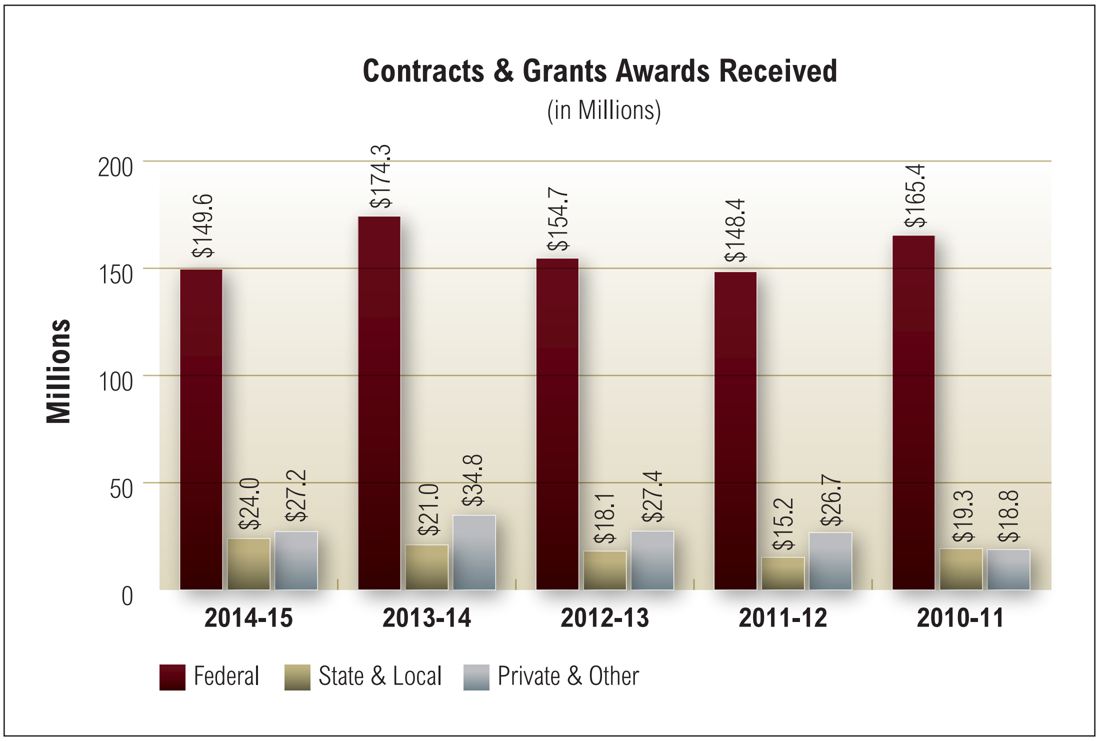
FACULTY

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.

Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Faculty/ Student Ratio
2010-11	1,791	66	829	1,708	22:1
2011-12	1,779	65	812	1,696	26:1
2012-13	1,856	67	827	1,769	26:1
2013-14	1,899	67	822	1,809	26:1
2014-15	1,931	67	821	1,838	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 2014-15 fiscal year, the University faculty and administrators generated more than $200 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.



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 3.2 million volumes of books and periodicals. Also, access to 887 databases, 1,128,765 e-books and 86,570 e-journals allows students, faculty and staff to do research from their offices or homes.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, the Introduction from the 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 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2016
Audit Report No. 2016-140

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

The University implemented Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* during the 2014-15 fiscal year. This accounting standard requires the University, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the statement of revenues, expenses, and changes in net position, or reported as deferred outflows or inflows of resources on the statement of net position, depending on the nature of the change. The initial adoption of the accounting standard resulted in an adjustment to beginning net position of $131.5 million.

The University's assets totaled $2.7 billion at June 30, 2015. This balance reflects a $99.5 million, or 3.8 percent, increase as compared to the 2013-14 fiscal year resulting from a $73.1 million, or 4.6 percent, increase in net depreciable capital assets due to the addition of several new buildings and infrastructure. Payments due from the State increased $26.7 million, or 137.7 percent, primarily due to an increase in capital project funding. Deferred outflows of resources at June 30, 2015 totaled $52.2 million. Liabilities also increased by $170.2 million, or 34.4 percent, totaling $665.2 million at June 30, 2015, as compared to $495 million at June 30, 2014. Unearned Revenue increased by $14.4 million, or 34 percent, primarily due to an increase in State sponsored capital appropriations. Noncurrent capital improvement debt payable increased by $27.5 million, or 11 percent, primarily due to new bonds issued during the year. The University's collective net pension liability at June 30, 2015 totaled $102.5 million. Deferred inflows of resources at June 30, 2015 totaled $73.6 million. As a result, the University's net position decreased by $92.1 million, but remained consistent in total with the prior year's balance of $2.1 billion.

The University's operating revenues totaled $613 million for the 2014-15 fiscal year, representing a 0.4 percent increase over the 2013-14 fiscal year. Operating expenses totaled $1.1 billion for the 2014-15 fiscal year, representing an increase of 1.5 percent over the 2013-14 fiscal year primarily due to an $18.6 million, or 2.9 percent, increase in compensation and employee benefits.

Net nonoperating revenues totaled $480.7 million, representing an increase of $37.7 million, or 8.5 percent, from the 2013-14 fiscal year. This increase is primarily due to the increase in State noncapital appropriations in the amount of $29.9 million, or 9 percent. In addition, other nonoperating expenses decreased by $13.5 million, or 74.3 percent and interest on capital asset-related debt decreased $2.8 million, or 23.9 percent. Further, other revenues, expenses, gains, or losses decreased by $2.8 million, or 12.1 percent, due to a decrease in capital grants, contracts, donations, and fees.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida State University College of Medicine Self-Insurance Program is included within the University reporting entity as a blended component unit. In addition, 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.

THE STATEMENT OF NET POSITION

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

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

	2015	2014
Assets		
Current Assets	$ 728,266	$ 692,423
Capital Assets, Net	1,852,189	1,832,579
Other Noncurrent Assets	117,043	73,026
Total Assets	**2,697,498**	**2,598,028**
Deferred Outflows of Resources	**52,209**	**-**
Liabilities		
Current Liabilities	150,812	126,339
Noncurrent Liabilities	514,406	368,704
Total Liabilities	**665,218**	**495,043**
Deferred Inflows of Resources	**73,576**	**-**
Net Position		
Net Investment in Capital Assets	1,609,556	1,569,519
Restricted	204,982	185,871
Unrestricted	196,375	347,595
Total Net Position	**$ 2,010,913**	**$ 2,102,985**

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

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

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

	2014-15	2013-14
Operating Revenues	$ 613,038	$ 610,661
Less, Operating Expenses	(1,074,308)	(1,057,951)
Operating Loss	**(461,270)**	**(447,290)**
Net Nonoperating Revenues	480,686	442,955
Gain (Loss) Before Other Revenues, Expenses, Gains, or Losses	**19,416**	**(4,335)**
Other Revenues, Expenses, Gains, or Losses	20,040	22,807
Net Increase in Net Position	**39,456**	**18,472**
Net Position, Beginning of Year	2,102,985	2,084,513
Adjustment to Beginning Net Position	(131,528)	-
Net Position, End of Year	**$ 2,010,913**	**$ 2,102,985**

OPERATING REVENUES

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

Operating Revenues (in thousands)

	2014-15	2013-14
Net Tuition and Fees	$ 251,879	$ 245,155
Grants and Contracts	185,580	195,892
Sales and Services of Educational Departments	-	591
Sales and Services of Auxiliary Enterprises	165,991	160,425
Other	9,588	8,598
Total Operating Revenues	**$ 613,038**	**$ 610,661**

OPERATING EXPENSES

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

Operating Expenses (in thousands)

	2014-15	2013-14
Compensation and Employee Benefits	$ 658,671	$ 640,071
Services and Supplies	220,437	226,947
Utilities and Communications	38,343	35,983
Scholarships, Fellowships, and Waivers	83,481	85,106
Depreciation	73,376	69,844
Total Operating Expenses	**$ 1,074,308**	**$ 1,057,951**

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.

Nonoperating Revenues (Expenses) (in thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 361,291	$ 331,441
Federal and State Student Financial Aid	91,345	94,763
Noncapital Grants, Contracts, and Gifts	36,385	34,586
Investment Income	9,774	6,348
Net Increase (Decrease) in the Fair Value of Investments	(3,701)	6,019
Other Nonoperating Revenues	476	466
Loss on Disposal of Capital Assets	(1,307)	(755)
Interest on Capital Asset-Related Debt	(8,899)	(11,692)
Other Nonoperating Expenses	(4,678)	(18,221)
Net Nonoperating Revenues	**$ 480,686**	**$ 442,955**

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

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

Other Revenues, Expenses, Gains, or Losses (in thousands)

	2014-15	2013-14
State Capital Appropriations	$ 11,909	$ 4,911
Capital Grants, Contracts, Donations, and Fees	8,131	17,896
Total	**$ 20,040**	**$ 22,807**

THE STATEMENT OF CASH FLOWS

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

Condensed Statement of Cash Flows (in thousands)

	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	$ (376,138)	$ (362,110)
Noncapital Financing Activities	478,938	456,537
Capital and Related Financing Activities	(74,190)	(58,881)
Investing Activities	(23,121)	(38,294)
Net Increase (Decrease) in Cash and Cash Equivalents	**5,489**	**(2,748)**
Cash and Cash Equivalents, Beginning of Year	20,980	23,728
Cash and Cash Equivalents, End of Year	**$ 26,469**	**$ 20,980**

Major sources of funds came from State noncapital appropriations ($361.3 million), Federal and State student financial aid ($94.8 million), net student tuition and fees ($251.1 million), grants and contracts ($187 million), and sales and services of auxiliary enterprises ($168.7 million). Major uses of funds were for payments made to and on behalf of employees ($647.4 million); payments to suppliers ($255.9 million); payments to and on behalf of students for scholarships ($83.5 million); and purchase or construction of capital assets ($105.6 million).

CAPITAL ASSETS

At June 30, 2015, the University had $2.7 billion in capital assets, less accumulated depreciation of $0.9 billion, for net capital assets of $1.9 billion. Depreciation charges for the current fiscal year totaled $73.4 million.

Capital Assets, Net at June 30 (in thousands)

	2015	2014
Land	$ 77,453	$ 73,441
Construction in Progress	24,079	81,772
Buildings	1,459,503	1,397,749
Infrastructure and Other Improvements	69,648	70,895
Furniture and Equipment	100,649	84,313
Library Resources	30,981	30,469
Works of Art and Historical Treasures	74,274	74,039
Computer Software and Other Capital Assets	15,602	19,901
Capital Assets, Net	**$ 1,852,189**	**$ 1,832,579**

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2015, were incurred on the following projects: University Housing Expansion - Phase 2 totaling $2.3 million, Donald L. Tucker Civic Center Renovations totaling $1.6 million, and the Earth Ocean Atmospheric Science Building totaling $0.6 million.

Major Capital Commitments at June 30 (in thousands)

		2015
Total Committed	$	169,841
Completed to Date		(24,079)
Balance Committed	**$**	**145,762**

DEBT ADMINISTRATION

As of June 30, 2015, the University had $290 million in outstanding capital improvement debt, representing an increase of $29.3 million, or 11.2 percent, from the prior fiscal year.

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

		2015		2014
Capital Improvement Debt	$	290,252	$	260,909
Installment Purchases		-		401
Loans and Notes Payable		403		_
Total	**$**	**290,655**	**$**	**261,310**

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. The 2015 Florida Legislature approved a $78.7 billion budget for the 2015-16 fiscal year, an increase of $1.7 billion from the previous year. The University received a $5 million increase in preeminence funding and a $16.7 million increase in performance funding. In addition, the University received an additional $5 million for a new Earth, Ocean, and Atmospheric Science Building and $4.9 million for building maintenance and repairs.

The State funding has not been enough to keep pace with the growth of the University. In October 2014 the University launched the public phase of its $1 billion Raise the Torch Campaign, which is slated to conclude June 30, 2018. As of September 30, 2015 more than $719 million in gift commitments had been received.

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.

FLORIDA STATE UNIVERSITY

Statement of Net Position as of June 30, 2015 *(in thousands)*

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 17,868	$ 39,897
Investments	580,930	134,355
Accounts Receivable, Net	42,570	48,943
Loans and Notes Receivable, Net	2,412	15,329
Due from State	46,171	-
Due from Component Units/University	19,982	15,321
Inventories	2,566	279
Other Current Assets	15,767	1,420
Total Current Assets	**728,266**	**255,544**
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,601	8,843
Restricted Investments	90,369	591,884
Loans and Notes Receivable, Net	9,941	1,000
Depreciable Capital Assets, Net	1,676,383	151,887
Nondepreciable Capital Assets	175,806	31,687
Other Noncurrent Assets	8,132	91,244
Total Noncurrent Assets	**1,969,232**	**876,545**
TOTAL ASSETS	**2,697,498**	**1,132,089**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	**52,209**	-
Loss on Debt Refunding	**-**	**2,829**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 25,396	$ 11,237
Construction Contracts Payable	6,851	-
Salaries and Wages Payable	17,623	-
Deposits Payable	9,147	-
Due to Component Units/University	14,312	19,700
Unearned Revenue	56,704	33,749
Other Current Liabilities	1,318	2,390
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	12,524	-
Bonds Payable	-	4,474
Loans and Notes Payable	181	1,027
Accrued Self-Insurance Claims	200	-
Compensated Absences Payable	4,417	-
Net Pension Liability	2,139	-
Total Current Liabilities	**150,812**	**72,577**
Noncurrent Liabilities:		
Capital Improvement Debt Payable	277,728	-
Bonds Payable	-	90,069
Loans and Notes Payable	222	12,150
Accrued Self-Insurance Claims	745	-
Compensated Absences Payable	61,012	1,003
Unearned Revenue	-	39,894
Other Noncurrent Liabilities	16,652	7,518
Other Postemployment Benefits Payable	57,721	-
Net Pension Liability	100,326	-
Total Noncurrent Liabilities	**514,406**	**150,634**
TOTAL LIABILITIES	**665,218**	**223,211**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	**73,576**	**-**
NET POSITION		
Net Investment in Capital Assets	$ 1,609,556	$ 73,979
Restricted for Nonexpendable, Endowment	-	455,545
Restricted for Expendable:		
Debt Service	4,105	-
Loans	5,480	-
Capital Projects	46,622	-
Other	148,775	77,664
Endowment	-	170,785
Unrestricted	196,375	133,734
TOTAL NET POSITION	**$ 2,010,913**	**$ 911,707**

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

Statement of Revenues, Expenses and Changes in Net Position for Fiscal Year Ended June 30, 2015 *(in thousands)*

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of $121,395	$ 251,879	$ -
Federal Grants and Contracts	148,565	-
State and Local Grants and Contracts	21,195	-
Nongovernmental Grants and Contracts	15,820	-
Sales and Services of Auxiliary Enterprises	165,991	-
Sales and Services of Component Units	-	28,336
Royalties and Licensing Fees	-	15,068
Gifts and Donations	-	78,489
Interest on Loans and Notes Receivable	341	-
Other Operating Revenues	9,247	26,020
Total Operating Revenues	**613,038**	**147,913**
OPERATING EXPENSES		
Compensation and Employee Benefits	658,671	50,842
Services and Supplies	220,437	96,812
Utilities and Communications	38,343	1,121
Scholarships, Fellowships, and Waivers	83,481	-
Depreciation	73,376	7,138
Total Operating Expenses	**1,074,308**	**155,913**
OPERATING LOSS	**(461,270)**	**(8,000)**
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	361,291	-
Federal and State Student Financial Aid	91,345	-
Noncapital Grants, Contracts, and Gifts	36,385	-
Investment Income	9,774	7,616
Net Decrease in the Fair Value of Investments	(3,701)	(9,658)
Investment Expense	-	(87)
Other Nonoperating Revenues	476	11,901
Gain (Loss) on Disposal of Capital Assets	(1,307)	232
Interest on Capital Asset-Related Debt	(8,899)	(589)
Other Nonoperating Expenses	(4,678)	(12,753)
NET NONOPERATING REVENUES (EXPENSES)	**480,686**	**(3,338)**
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	**19,416**	**(11,338)**
State Capital Appropriations	11,909	-
Capital Grants, Contracts, Donations, and Fees	8,131	2,889
Additions to Permanent Endowments	-	11,054
Increase in Net Position	**39,456**	**2,605**
Net Position, Beginning of Year	2,102,985	907,337
Adjustments to Net Position, Beginning of Year	(131,528)	1,765
Net Position, Beginning of Year (As Restated)	1,971,457	909,102
NET POSITION, END OF YEAR	**$ 2,010,913**	**$ 911,707**

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

FLORIDA STATE UNIVERSITY

Statement of Cash Flows for Fiscal Year Ended June 30, 2015
(in thousands)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 251,116
Grants and Contracts	187,033
Sales and Services of Auxiliary Enterprises	168,671
Interest on Loans and Notes Receivable	341
Other Operating Receipts	2,330
Payments to Employees	(647,352)
Payments to Suppliers for Goods and Services	(255,905)
Payments to Students for Scholarships and Fellowships	(83,482)
Refund on Self-Insurance Claims	283
Loans issued to Students	(2,576)
Collections on Loans to Students	3,403
Net Cash Used by Operating Activities	**(376,138)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	361,291
Noncapital Grants, Contracts and Gifts	29,226
Federal and State Student Financial Aid	94,763
Federal Direct Loan Program Receipts	194,488
Federal Direct Loan Program Disbursements	(194,371)
Net Change in Funds Held for Others	(1,969)
Other Nonoperating Receipts	408
Other Nonoperating Disbursements	(4,898)
Net Cash Provided by Noncapital Financing Activities	**478,938**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	80,833
State Capital Appropriations	5,869
Capital Grants, Contracts, Donations, and Fees	6,017
Purchase or Construction of Capital Assets	(105,646)
Principal Paid on Capital Debt	(51,040)
Interest Paid on Capital Debt	(10,223)
Net Cash Used by Capital and Related Financing Activities	**(74,190)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,665,465
Purchase of Investments	(1,698,591)
Investment Income	10,005
Net Cash Used by Investing Activities	**(23,121)**
Net Increase in Cash and Cash Equivalents	5,489
Cash and Cash Equivalents, Beginning of Year	20,980
Cash and Cash Equivalents, End of Year	**$ 26,469**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	**$ (461,270)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	73,376
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	
Loans and Notes Receivable, Net	858
Other Receivables, Net	2,868
Inventories	(31)
Other Assets	(2,078)
Accounts Payable	4,951
Salaries and Wages Payable	1,173
Accrued Insurance Claims	283
Deposits Payable	(108)
Compensated Absences Payable	4,400
Postemployment Healthcare Benefits Payable	13,442
Unearned Revenue	(6,308)
Pension Liability	(46,526)
Pension Deferred Outflows	(34,744)
Pension Deferred Inflows	73,576
Net Cash Used by Operating Activities	**$ (376,138)**
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	$ (3,701)
Losses from the write off of capital assets were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	$ (1,307)

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

1 Summary of Significant Accounting Policies

REPORTING ENTITY

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

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

BLENDED COMPONENT UNIT

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

DISCRETELY PRESENTED COMPONENT UNITS

Direct-support organizations of the University are legally separate, not for profit, corporations organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011. Based on the application of the criteria for determining component units, the following organizations met all of the financial accountability criteria necessary for inclusion as discretely presented component units and therefore are included within the University reporting entity.

The Florida State University Schools, Inc., (not a direct-support organization) is also included as a discretely presented component unit within the University reporting entity based on the nature and significance of its relationship with 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 and departmental faculty, staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- **Seminole Boosters, Inc. (Boosters)** - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.
- **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)** – The Real Estate Foundation was established to receive, hold, manage, lease, develop or sell real estate, and to make expenditures, grants, and contributions to or for the benefit of the University.

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

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

BASIS OF PRESENTATION

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

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

BASIS OF ACCOUNTING

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of 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.

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 University has a capitalization threshold of $5,000 for tangible personal property, $50,000 for new buildings, and $100,000 for building improvements.

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

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

NONCURRENT LIABILITIES

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

PENSIONS

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

OPERATING REVENUES AND EXPENSES

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

NONOPERATING REVENUES AND EXPENSES

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

2 Reporting Changes

The University participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by the Florida Department of Management Services, Division of Retirement As a participating employer, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The impact of the implementation of this Statement is discussed in a subsequent note.

3 Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $131,528,132 due to the adoption of a new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and the HIS defined benefit plans. At July 1, 2014, the University's proportionate share of the net pension liabilities totaled $148,991,676, and deferred outflows of pension resources totaled $17,463,544.

4 Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. The University's investments at June 30, 2015 are reported at fair value, as follows:

Investment Type	**Fair Value**
External Investment Pool:	
State Treasury Special Purpose Investment Account	$ 662,089,580
State Board of Administration Debt Service Accounts	3,992,588
Mutual Funds:	
Bonds	3,557,874
Equities	1,658,783
Total University Investments	**$ 671,298,825**

EXTERNAL INVESTMENT POOL

The University reported investments at fair value totaling $662,089,580 at June 30, 2015, 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 2.67 years and a fair value factor of 1.0013 at June 30, 2015. 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 $3,992,588 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

OTHER INVESTMENTS

The Florida State University College of Medicine Self-Insurance Program (Program), a blended component unit (see Note 1), reported other investments at fair value totaling $5,216,657 at June 30, 2015, in various debt and equity mutual funds. Bond mutual fund investments totaling $3,557,874 consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. Equity mutual fund investments totaling $1,658,783 consist of shares owned in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund.

The following are required risk disclosures applicable to the Program's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program does not have any investments subject to interest rate risk disclosure as of June 30, 2015.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. The Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies at June 30, 2015, as follows:

Investment Type	**Fair Value**	**AA/Aa**	**A/Ba**
Bond Mutual Funds	**$ 3,557,874**	**$ 2,827,644**	**$ 730,230**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program 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 Program and are not registered in the Program's name. The program has not identified any investments falling into this category as of June 30, 2015.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. The Program places no limit on the amount it may invest in any one issuer. Individual investments that consist of more than 5 percent of the Program's total investments at June 30, 2015, are as follows:

Investment	Fair Value	Percentage of Total Investments
Short Term Bond Index Fund	$ 2,827,644	54
Total Stock Market Index Fund	1,146,880	22
Intermediate Term Bond Index Fund	730,230	14
International Stock Index Fund	511,903	10
Total	**$ 5,216,657**	**100**

The Program's formal investment policy in place does not specifically address any of the types of risks identified above.

COMPONENT UNIT INVESTMENTS

Investments held by the University's component units at June 30, 2015, are reported at fair value as follows:

Investment Type	Foundation	Boosters	Alumni Association	Research Foundation	Ringling Museum Foundation	Real Estate Foundation	FMPP	Florida State University Schools	Fair Value
External Investment Pool:									
SBA - PRIME	$ -	$ -	$ -	$ 30,406,632	$ -	$ -	$ -	$ -	$ 30,406,632
Certificates of Deposit	-	-	153,432	-	-	-	-	-	153,432
Money Market Funds	-	-	-	46,418,617	-	-	27,469	4,302,699	50,748,785
Domestic Bonds & Notes	-	-	-	-	597,433	-	-	-	597,433
Domestic Stocks	16,106	-	-	42,497,456	1,033,318	-	-	-	43,546,880
Real Estate Investments	-	12,884,348	-	-	-	401,001	-	-	13,285,349
Mutual Funds	352,571,089	30,565,228	-	-	1,989,967	-	994,880	-	386,121,164
Investment Agreements	200,136,692	1,242,441	-	-	-	-	-	-	201,379,133
Fair Value	**$ 552,723,887**	**$ 44,692,017**	**$ 153,432**	**$ 119,322,705**	**$ 3,620,718**	**$ 401,001**	**$ 1,022,349**	**$ 4,302,699**	**$ 726,238,808**

COMPONENT UNIT EXTERNAL INVESTMENT POOL

State Board of Administration Florida PRIME - The Research Foundation reported investments at fair value totaling $30,406,632 at June 30, 2015, 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, 2015, 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 34 days as of June 30, 2015. 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.

COMPONENT UNIT OTHER 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 high quality fixed income instruments. The endowment comprises approximately 37 percent of total investments. The Museum Foundation's investment policy does not limit the investment maturities of the remainder of its portfolio as a means of managing its exposure to fair value losses arising from increasing interest rates. The Research Foundation investment policy limits the weighted average maturity of its investment portfolio to less than eight years. The Boosters, the Real Estate Foundation, 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, 2015, as follows:

		Investment Maturities	
Investment Type	**Fair Value**	**Daily**	**Less Than 1 Year**
Research Foundation			
Money Market Funds	$ 46,418,617	$ 46,418,617	$ -
Domestic Stocks	42,497,456	$ -	$ 42,497,456
Total	**$ 88,916,073**	**$ 46,418,617**	**$ 42,497,456**
Boosters			
Mutual Funds	$ 30,565,228	$ 30,565,228	$ -
Ringling Museum Foundation			
Mutual Funds	$ 1,989,967	$ -	$ 1,989,967
Domestic Bonds & Notes	597,433	-	597,433
Domestic Stocks	1,033,318	-	1,033,318
Total	**$ 3,620,718**	**$ -**	**$ 3,620,718**
FMPP			
Money Market Funds	$ 27,469	$ 27,469	$ -
Mutual Funds	994,880	-	994,880
Total	**$ 1,022,349**	**$ 27,469**	**$ 994,880**
Alumni Association			
Certificates of Deposit	$ 153,432	$ -	$ 153,432
Florida State University Schools			
Money Market Funds	$ 4,302,699	$ 4,302,699	$ -

***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, 2015, investment ratings were as follows:

		Investment Ratings				
Investment Type	**Fair Value**	**AAAm**	**Aaa**	**AA/Aa**	**A/Ba**	**Not Rated**
Research Foundation						
Money Market Funds	$ 46,418,617	$ 46,418,617	$ -	$ -	$ -	$ -
Boosters						
Mutual Funds	$ 30,565,228	$ 30,565,228	$ -	$ -	$ -	$ -
Ringling Museum Foundation						
Mutual Funds	$ 1,989,967	$ -	$ -	$ -	$ -	$ 1,989,967
FMPP						
Money Market Funds	$ 27,469	$ -	$ -	$ -	$ -	$ 27,469
Mutual Funds	676,404	-	-	537,747	138,657	-
Total	**$ 703,873**	**$ -**	**$ -**	**$ 537,747**	**$ 138,657**	**$ 27,469**
Alumni Association						
Certificates of Deposit	$ 153,432	$ -	$ -	$ -	$ -	$ 153,432
Florida State University Schools						
Money Market Funds	$ 4,302,699	$ -	$ 4,302,699	$ -	$ -	$ -

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 Research Foundation, the Boosters, the Museum Foundation, FMPP, the Alumni Association, 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 component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

5 Receivables

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student tuition and fees, grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

Description		Amount
Student Tuition and Fees	$	13,600,370
Grants and Contracts		16,251,088
Sales and Services of Auxiliary Enterprises		12,442,798
Interest		555,202
Other		2,049,115
Total Accounts Receivable	**$**	**44,898,573**

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 DOUBTFUL RECEIVABLES

Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $2,328,432 and $2,084,135, respectively, at June 30, 2015. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

6 Due From State

This amount consists of $33,857,030 of Public Education Capital Outlay and $12,314,268 of Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

7 Due From and to Component Units/University

The University's financial statements are reported for the fiscal year ended June 30, 2015. The University's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the University.

8 Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 73,440,874	$ 4,682,465	$ 670,000	$ 77,453,339
Works of Art and Historical Treasures	74,038,895	364,401	129,784	74,273,512
Construction in Progress	81,772,413	79,393,314	137,086,477	24,079,250
Total Nondepreciable Capital Assets	**$ 229,252,182**	**$ 84,440,180**	**$ 137,886,261**	**$ 175,806,101**
Depreciable Capital Assets:				
Buildings	$ 1,839,063,996	$ 103,623,643	$ 10,162,375	$ 1,932,525,264
Infrastructure and Other Improvements	130,523,476	3,002,128	-	133,525,604
Furniture and Equipment	288,073,299	39,435,357	10,426,603	317,082,053
Library Resources	129,115,663	7,435,501	636,983	135,914,181
Computer Software and Other Capital Assets	53,975,088	692,438	290,585	54,376,941
Total Depreciable Capital Assets	**2,440,751,522**	**154,189,067**	**21,516,546**	**2,573,424,043**
Less, Accumulated Depreciation:				
Buildings	441,315,129	37,141,842	5,434,899	473,022,072
Infrastructure and Other Improvements	59,629,433	4,248,145	-	63,877,578
Furniture and Equipment	203,759,981	20,367,893	7,695,025	216,432,849
Library Resources	98,646,529	6,735,665	448,394	104,933,800
Computer Software and Other Capital Assets	34,073,685	4,882,217	180,696	38,775,206
Total Accumulated Depreciation	**837,424,757**	**73,375,762**	**13,759,014**	**897,041,505**
Total Depreciable Capital Assets, Net	**$ 1,603,326,765**	**$ 80,813,305**	**$ 7,757,532**	**$ 1,676,382,538**

9 Unearned Revenue

Unearned revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2015, to spend the funds, and grants and contracts, auxiliary sales and services, and other revenues received prior to fiscal year end related to subsequent accounting periods.

As of June 30, 2015, the University reported the following amounts as unearned revenue:

Description	Amount
State Capital Appropriations	$ 36,889,811
Grants and Contracts	2,770,359
Sales and Services of Auxiliary Enterprises	16,988,437
Other	55,502
Total Unearned Revenue	**$ 56,704,109**

10 Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, loans and notes payable, accrued self-insurance claims, compensated absences payable, other noncurrent liabilities, other postemployment benefits payable, and net pension liability. Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or if the University has excess cash in the loan program.

Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 260,909,087	$ 80,833,346	$ 51,490,830	$ 290,251,603	$ 12,523,833
Installment Purchases Payable	400,565	-	400,565	-	-
Loans and Notes Payable	-	402,477	-	402,477	180,950
Accrued Self-Insurance Claims	662,000	303,000	19,826	945,174	199,526
Compensated Absences Payable	60,996,282	8,620,542	4,187,761	65,429,063	4,416,868
Other Noncurrent Liabilities	16,383,973	323,792	55,502	16,652,263	-
Other Postemployment Benefits Payable	44,279,000	17,143,000	3,701,000	57,721,000	-
Net Pension Liability (1)	148,991,676	44,512,925	91,039,575	102,465,026	2,138,529
Total Long-Term Liabilities	**$ 532,622,583**	**$ 152,139,082**	**$ 150,895,059**	**$ 533,866,606**	**$ 19,459,706**

(1) As discussed in previous notes, the University's proportionate share of the net pension liability at July 1, 2014 totaled $148,991,676 due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

CAPITAL IMPROVEMENT DEBT PAYABLE

The University had the following capital improvement debt payable outstanding at June 30, 2015:

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	$ 1,120,000	3.0	2022
2010A Housing	18,910,000	16,948,936	2.5 - 4.75	2040
2011A Housing	27,745,000	23,960,668	2.0 - 4.125	2031
2013A Housing	42,495,000	45,203,409	4.0 - 5.0	2033
2014A Housing	46,085,000	52,084,714	3.0 - 5.0	2031
2015A Housing	59,575,000	64,995,749	3.0 - 5.0	2035
Total Student Housing Debt	**198,310,000**	**204,313,476**		
2007A Parking	13,230,000	8,782,312	4.0 - 4.625	2026
2011A Parking	22,145,000	17,556,967	2.5 - 5.25	2031
2014A Parking	13,485,000	14,938,724	5.0	2025
Total Student Parking Debt	**48,860,000**	**41,278,003**		
2005A Dining	10,000,000	6,300,000	2.29	2025
2010A Wellness Center	31,320,000	26,707,026	4.0 - 5.0	2030
Total Auxiliary Debt	**288,490,000**	**278,598,505**		
2012 Research Foundation Revenue Debt	11,920,000	11,653,098	3.0 - 4.0	2031
Total Capital Improvement Debt	**$ 300,410,000**	**$ 290,251,603**		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay $288.5 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $376 million, and principal and interest paid for the current year totaled $19.2 million.

Revenue Pledged	Amount
Housing Rental Income	$ 42,847,947
Traffic, Parking and Transportation Fees	11,791,869
Food Service Revenues	1,759,524
Student Health Fees	14,841,720

On December 18, 2014, the Board of Governors issued $13,485,000 of Florida State University Parking Facility Revenue Refunding Bonds, Series 2014A with an interest rate of 5 percent. The proceeds from this debt were used to defease $8,535,000 and $6,860,000 of outstanding State of Florida, Florida Education System, Florida State University Parking Facility Revenue Bonds, Series 2003B and 2005A, respectively. As a result of the refunding, the University reduced its capital improvement debt service requirement by $1,847,466 over the next ten years and obtained an economic gain of $1,664,801.

On June 30, 2015, the Board of Governors issued $59,575,000 of Florida State University Dormitory Revenue Bonds, Series 2015A, with interest rates varying from 3 percent to 5 percent. A portion of the capital improvement debt proceeds are being used to finance the cost of constructing a dormitory on the main campus of the University with the remaining portion used to defease $2,695,000 and $21,450,000 of outstanding State of Florida, Florida Education System, Florida State University Housing Facility Revenue Bonds, Series 2004A and 2005A, respectively. As a result of the refunding, the University reduced its capital improvement debt service requirement by $5,188,657 over the next twenty years and obtained an economic gain of $3,503,503.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 11,360,000	$ 11,266,224	$ 22,626,224
2017	11,680,000	11,202,133	22,882,133
2018	13,490,000	10,722,700	24,212,700
2019	14,065,000	10,149,980	24,214,980
2020	14,710,000	9,544,571	24,254,571
2021-2025	78,210,000	37,429,319	115,639,319
2026-2030	74,050,000	20,356,325	94,406,325
2031-2035	48,990,000	6,516,331	55,506,331
2036-2040	5,030,000	738,625	5,768,625
Subtotal	**271,585,000**	**117,926,208**	**389,511,208**
Plus: Unamortized Premiums and Discounts, Net	18,666,603	-	18,666,603
Total	**$ 290,251,603**	**$ 117,926,208**	**$ 408,177,811**

COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $65,429,063. The current portion of the compensated absences liability, $4,416,868, 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 POST EMPLOYMENT 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.

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 State has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the *General Appropriations Act*. For the 2014-15 fiscal year, 1,133 retirees received postemployment healthcare benefits. The University provided required contributions of $3,701,000 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 $6,147,000, which represents 1.5 percent of covered payroll.

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

The following table shows the University's annual OPEB cost for the 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)	$ 8,943,000
Amortization of Unfunded Actuarial Accrued Liability	7,314,000
Interest on Normal Cost and Amortization	650,000
Annual Required Contribution	**16,907,000**
Interest on Net OPEB Obligation	1,771,000
Adjustment to Annual Required Contribution	(1,535,000)
Annual OPEB Cost (Expense)	**17,143,000**
Contribution Toward the OPEB Cost	(3,701,000)
Increase in Net OPEB Obligation	**13,442,000**
Net OPEB Obligation, Beginning of Year	44,279,000
Net OPEB Obligation, End of Year	**$ 57,721,000**

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, 2015, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 11,795,000	29	$ 30,013,000
2013-14	18,449,000	23	44,279,000
2014-15	17,143,000	22	57,721,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $233,811,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $233,811,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $407,099,915 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57 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, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 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 and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21, 7.89, and 7.59 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95, 7.64, and 7.75 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 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.

NET PENSION LIABILITY

As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS and HIS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled $102,465,026.

11 Retirement Plans - Defined Benefit Pension Plans

GENERAL INFORMATION ABOUT THE FLORIDA RETIREMENT SYSTEM (FRS)

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

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

The University's pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled $12,406,918 for the 2014-15 fiscal year.

FRS PENSION PLAN

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	%Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service or more	1.68
Regular Class members initially enrolled on or July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service or more	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	**Employee**	**Employer (1)**
Florida Retirement System, Regular	3.00	7.37
Florida Retirement System, Senior Management Service	3.00	21.14
Florida Retirement System, Special Risk	3.00	19.82
Teachers' Retirement System, Plan E	6.25	11.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.28
Florida Retirement System, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $17,604,243 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2015, the University reported a liability of $42,528,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportion was 0.70 percent, which was an increase of 0.15 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $8,041,867. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 2,631,778
Changes of Assumptions	7,365,193	-
Net difference between projected and actual earnings on pension plan investments	-	70,944,253
Changes in proportion and differences between University contributions and proportionate share of contributions	21,320,675	-
University contributions subsequent to the measurement date	17,604,243	-
Total	**$ 46,290,111**	**$ 73,576,031**

The deferred outflows of resources related to pensions totaling $17,604,243, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2016	$	(11,419,331)
2017		(11,419,331)
2018		(11,419,331)
2019		(11,419,331)
2020		605,509
Thereafter		181,652
Total	**$**	**(44,890,163)**

Actuarial Assumptions – The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation..2.60 percent
- Salary Increases ....3.25 percent, average, including inflation
- Investment rate of return..................7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equities	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	**100.00%**			
Assumed Inflation - Mean		2.60%		2.00%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	$ 181,899,162	$ 42,528,294	$ (73,401,675)

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

HIS PENSION PLAN

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

Benefits Provided – For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statues. The University contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $2,498,290 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2015, the University reported a liability of $59,936,732 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportion was 0.64 percent, which was an increase of 0.02 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $4,365,051. In addition, the University reported deferred outflows of resources from the following sources:

Description	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Changes of Assumptions	2,132,787
Net difference between projected and actual earnings on pension plan investments	28,771
Changes in proportion and differences between University contributions and proportionate share of contributions	1,258,581
University contributions subsequent to the measurement date	2,498,290
Total	**$ 5,918,429**

The deferred outflows of resources totaling $2,498,290 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2016	$	555,674
2017		555,674
2018		555,674
2019		555,674
2020		554,293
Thereafter		643,150
Total	**$**	**3,420,139**

Actuarial Assumptions – The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation.. 2.60 percent
- Salary Increases .... 3.25 percent, average, including inflation
- Municipal Bond Rate........................ 4.29 percent

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

While an experience study had not been completed for the plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate – The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.29 percent) or 1 percentage-point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
University's proportionate share of the net pension liability	$ 68,173,179	$ 59,936,732	$ 53,061,656

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

12 Retirement Plans - Defined Contribution Pension Plans

FRS INVESTMENT PLAN

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA: however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's contributions to the Investment Plan totaled $2,535,932 and employee contributions totaled $996,465 for the 2014-15 fiscal year.

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 FRS for eight 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 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS Pension Plan, and 0.01 percent to cover the administrative costs, for a total of

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

The University's contributions to the Program totaled $16,208,906 and employee contributions totaled $10,958,050 for the 2014-15 fiscal year.

13 Construction Commitments

The University's construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Committed Balance
University Housing Expansion - Phase 2	$ 51,781,262	$ 2,260,214	$ 49,521,048
Earth Ocean Atmospheric Science Building	28,511,943	645,025	27,866,918
Donald L. Tucker Civic Center Renovations	15,070,658	1,562,174	13,508,484
Student Union Expansion	12,064,268	-	12,064,268
Other (1)	62,412,746	19,611,837	42,800,909
Total	**$ 169,840,877**	**$ 24,079,250**	**$ 145,761,627**

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

14 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 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses. 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(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

UNIVERSITY SELF-INSURANCE PROGRAM

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

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

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2014-15 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
2013-14	$ 685,017	$ 409,802	$ (432,819)	$ 662,000
2014-15	662,000	303,000	(19,826)	945,174

15 Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 336,587,383
Research	144,944,199
Public Service	35,418,458
Academic Support	71,653,168
Student Services	44,715,587
Institutional Support	58,220,557
Operation and Maintenance of Plant	67,236,062
Scholarships and Fellowships	83,482,491
Depreciation	73,375,762
Auxiliary Enterprises	158,176,347
Loan Operations	498,275
Total Operating Expenses	**$ 1,074,308,289**

16 Segment Information

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

Condensed Statement of Net Position	**Parking Facility**	**Housing Facility**
Assets		
Current Assets	$ 6,269,797	$ 25,848,586
Capital Assets, Net	74,985,584	244,089,943
Other Noncurrent Assets	35,337	89,862,617
Total Assets	**81,290,718**	**359,801,146**
Liabilities		
Current Liabilities	3,505,419	14,701,796
Noncurrent Liabilities	38,139,969	198,169,618
Total Liabilities	**41,645,388**	**212,871,414**
Net Position		
Net Investment in Capital Assets	33,707,581	78,673,421
Restricted - Expendable	2,664,973	47,884,891
Unrestricted	3,272,776	20,371,420
Total Net Position	**$ 39,645,330**	**$ 146,929,732**

Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating Revenues	$ 11,791,869	$ 42,847,947
Depreciation Expense	(1,951,289)	(4,953,550)
Operating Expenses	(5,853,275)	(19,302,461)
Operating Income	3,987,305	18,591,936
Net Nonoperating Expenses	(2,223,871)	(3,479,151)
Income Before Other Revenues, Expenses, Gains, or Losses	1,763,434	15,112,785
Other Revenues, Expenses, Gains, or Losses	1,214,669	608,445
Increase in Net Position	2,978,103	15,721,230
Net Position, Beginning of Year	36,667,227	131,208,502
Net Position, End of Year	**$ 39,645,330**	**$ 146,929,732**

Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	$ 5,938,982	$ 22,299,579
Noncapital Financing Activities	1,214,669	514,692
Capital and Related Financing Activities	(7,203,496)	(1,309,555)
Investing Activities	(32,637)	(22,089,901)
Net Decrease in Cash and Cash Equivalents	(82,482)	(585,185)
Cash and Cash Equivalents, Beginning of Year	145,320	747,022
Cash and Cash Equivalents, End of Year	**$ 62,838**	**$ 161,837**

17 Blended Component Unit

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

		College of Medicine Self-Insurance Program
Condensed Statement of Net Position		
Assets		
Other Current Assets	$	7,110,686
Total Assets		**7,110,686**
Liabilities		
Other Current Liabilities		205,171
Noncurrent Liabilities		745,648
Total Liabilities		**950,819**
Net Position		
Restricted - Expendable		6,159,867
Total Net Position	**$**	**6,159,867**
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating Revenues	$	821,447
Other Operating Expenses		(262,104)
Operating Income		**559,343**
Other Revenues, Expenses, Gains, and Losses		(303,000)
Increase in Net Position		**256,343**
Net Position, Beginning of Year		5,903,524
Net Position, End of Year	**$**	**6,159,867**
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	$	527,899
Investing Activities		(87,403)
Net Increase in Cash and Cash Equivalents		**440,496**
Cash and Cash Equivalents, Beginning of Year		1,453,333
Cash and Cash Equivalents, End of Year	**$**	**1,893,829**

FLORIDA STATE UNIVERSITY

18 Discretely Presented Component Units

The University has ten component units as discussed in note 1, which had material activity during the 2014-15 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.

	Direct-Support Organizations				
	Foundation 6/30/2015	Boosters 6/30/2015	International Programs Association 9/30/2014	Alumni Association 6/30/2015	Research Foundation 6/30/2015
Condensed Statement of Net Position					
Assets:					
Current Assets	$ 35,420,599	$ 63,060,378	$ 10,128,940	$ 1,225,960	$ 120,984,466
Capital Assets, Net	194,309	123,101,033	19,965,297	70,698	17,353,846
Other Noncurrent Assets	571,114,905	112,510,639	-	304	7,158,863
Total Assets	**606,729,813**	**298,672,050**	**30,094,237**	**1,296,962**	**145,497,175**
Deferred Outflows of Resources	**-**	**2,829,035**	**-**	**-**	**-**
Liabilities:					
Current Liabilities	10,412,223	37,068,520	2,267,424	401,886	17,636,037
Noncurrent Liabilities	6,851,000	111,461,127	5,987,315	-	11,411,460
Total Liabilities	**17,263,223**	**148,529,647**	**8,254,739**	**401,886**	**29,047,497**
Net Position:					
Net Investment in Capital Assets	194,309	47,035,020	13,287,593	70,698	5,930,376
Restricted	588,761,104	105,884,679	-	-	-
Unrestricted	511,177	51,739	8,551,905	824,378	110,519,302
Total Net Position	**$ 589,466,590**	**$ 152,971,438**	**$ 21,839,498**	**$ 895,076**	**$ 116,449,678**
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating Revenues	$ 51,316,168	$ 33,510,515	$ 17,248,563	$ 1,620,221	$ 13,302,442
Operating Expenses	67,032,003	39,602,024	14,831,849	3,030,383	12,168,102
Operating Income (Loss)	(15,715,835)	(6,091,509)	2,416,714	(1,410,162)	1,134,340
Net Nonoperating Revenues (Expenses)	(5,363,180)	7,837,192	146,499	1,357,593	2,837,523
Other Revenues, Expenses, Gains, and Losses	9,333,410	4,386,032	-	-	-
Increase (Decrease) in Net Position	(11,745,605)	6,131,715	2,563,213	(52,569)	3,971,863
Net Position, Beginning of Year	601,212,195	146,839,723	19,276,285	947,645	108,216,540
Adjustment to Beginning Net Position	-	-	-	-	4,261,275
Net Position, Beginning of Year (As Restated)	601,212,195	146,839,723	19,276,285	947,645	112,477,815
Net Position, End of Year	**$ 589,466,590**	**$ 152,971,438**	**$ 21,839,498**	**$ 895,076**	**$ 116,449,678**

				Other	Total
Ringling Museum Foundation 6/30/2015	Florida Medical Practice Plan 6/30/2015	Magnet Research and Development 6/30/2015	Real Estate Foundation 6/30/2015	Florida State University Schools 6/30/2015	
$ 3,419,516	$ 4,622,522	$ 1,474,193	$ 284,300	$ 14,923,252	$ 255,544,126
166,755	-	-	954,479	21,767,493	183,573,910
1,784,914	-	-	401,001	-	692,970,626
5,371,185	**4,622,522**	**1,474,193**	**1,639,780**	**36,690,745**	**1,132,088,662**
-	**-**	**-**	**-**	**-**	**2,829,035**
156,639	3,132,832	271,139	12,521	1,217,993	72,577,214
-	-	-	-	14,922,638	150,633,540
156,639	**3,132,832**	**271,139**	**12,521**	**16,140,631**	**223,210,754**
166,755	-	-	-	7,293,789	73,978,540
2,500,669	-	-	1,493,626	5,354,778	703,994,856
2,547,122	1,489,690	1,203,054	133,633	7,901,547	133,733,547
$ 5,214,546	**$ 1,489,690**	**$ 1,203,054**	**$ 1,627,259**	**$ 20,550,114**	**$ 911,706,943**
$ 2,584,432	$ 12,418,872	$ 790,678	$ 462,004	$ 14,659,478	$ 147,913,373
2,175,496	1,953,262	742,056	421,469	13,956,455	155,913,099
408,936	10,465,610	48,622	40,535	703,023	(7,999,726)
37,908	(9,750,363)	(36,559)	89,516	(494,132)	(3,338,003)
-	-	-	-	223,268	13,942,710
446,844	715,247	12,063	130,051	432,159	2,604,981
4,767,702	2,021,091	1,190,991	1,497,208	21,367,955	907,337,335
-	(1,246,648)	-	-	(1,250,000)	1,764,627
4,767,702	774,443	1,190,991	1,497,208	20,117,955	909,101,962
$ 5,214,546	**$ 1,489,690**	**$ 1,203,054**	**$ 1,627,259**	**$ 20,550,114**	**$ 911,706,943**

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013 unfunded actuarial accrued liability of $233,811,000 was significantly higher than the July 1, 2011 liability of $137,982,000 primarily as a result of lower than expected increases in retiree contributions rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
7/1/2009	-	$ 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%
7/1/2013	-	233,811,000	233,811,000	0%	389,854,458	60.0%

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

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

Description	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.70%	0.55%
University's proportionate share of the FRS net pension liability	$ 42,528,294	$ 94,644,224
University's covered-employee payroll (2)	$ 389,854,458	$ 368,648,639
University's proportion of the FRS net pension liability as a percentage of its covered-employee payroll	10.91%	25.67%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

SCHEDULE OF CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 17,604,243	$ 15,267,633
FRS contributions in relation to the contractually required FRS contribution	(17,604,243)	(15,267,633)
Contribution deficiency (excess)	$ -	$ -
University covered-employee payroll (2)	$ 407,099,915	$ 389,854,458
FRS contributions as a percentage of covered-employee payroll	4.32%	3.92%

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

Changes of assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Description	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.64%	0.62%
University's proportionate share of the HIS net pension liability	$ 59,936,732	$ 54,347,452
University's covered-employee payroll (2)	$ 188,768,602	$ 179,775,016
University's proportion of the HIS net pension liability as a percentage of its covered-employee payroll	31.75%	30.23%
HIS Plan fiduciary net position as a percentage of the FRS total pension liability	0.99%	1.78%

(1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN

	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 2,498,290	$ 2,195,911
HIS contributions in relation to the contractually required HIS contribution	(2,498,290)	(2,195,911)
Contribution deficiency (excess)	$ -	$ -
University covered-employee payroll (2)	$ 196,319,296	$ 188,768,602
HIS contributions as a percentage of covered-employee payroll	1.27%	1.16%

(1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Changes of assumptions. As of June 30, 2014, the municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 15, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2016
Audit Report No. 2016-140

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Florida State University

2014-2015 ANNUAL REPORT

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