FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2015-2016


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BUILDING
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Florida State University Annual Report 2015-2016

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John Thrasher

Message from The President

The past fiscal year was a transformative one for Florida State University, and the entire university community has a lot to celebrate. We are fostering a diverse, dynamic and entrepreneurial culture at FSU that is preparing our students to be innovators in the workplace and leaders in their communities.

A high note was a $100 million gift – the largest in Florida State University's history – from Jan Moran and the Jim Moran Foundation in December 2015. The gift is allowing Florida State to create the nation's most comprehensive interdisciplinary, degree-granting school of entrepreneurship. The Jim Moran School of Entrepreneurship will nurture FSU's great entrepreneurial spirit across every discipline by expanding the entrepreneurship courses currently taught in the College of Business and making them available to all students.

Even without the $100 million gift, FSU would have had one of its best fundraising years ever. That's why our "Raise the Torch" campaign is set to reach its $1 billion goal well before the campaign end date. Donors want to invest in FSU because they see a university that is transforming the lives of young people and making a difference in our state, our nation and around the world.

We also made significant progress improving a number of academic metrics that will impact our national rankings. Our excellent graduation rate – which is 20 percentage points higher than the national average – is helping us move forward on our path to become ranked among the Top 25 public universities in the nation!

Our faculty are contributing to this endeavor. They enhance the university's reputation every day through their groundbreaking research, original scholarship and creative activities. We've made a number of strategic investments to increase our faculty ranks and further expand our research enterprise, particularly in areas such as brain health, materials science and coastal and marine research.

The face of the campus is changing as well. We've upgraded the Donald L. Tucker Civic Center, made improvements to Doak Campbell Stadium and opened the new Champions Club. We dedicated two brand-new residence halls – Dorman and Deviney – which are now home to nearly 900 students, and we have plans for a new Black Student Union. And we're looking forward to a new building to house our nationally recognized Department of Earth Ocean and Atmospheric Science.

Every member of the Florida State family – our faculty, staff, students, alumni and friends – contributed to our success in 2015-2016, and I'm confident that the accomplishments of the past year have set the university on a course to achieve even greater national prominence in the coming year!

John Thrasher, President
Florida State University

Kyle C. Clark

Introduction from the Vice President for Finance and Administration

As Florida State University continues to set the terms for the future of higher education by focusing on advancing the University's academic and research mission, student success, diversity and inclusion, and efficiency and effectiveness, we are pleased to look back at some of our accomplishments and progress made this past year.

Facilities

Construction continues on several projects that will provide new and renovated facilities to serve our students, staff, and visitors. Updates on these projects include:

» Magnolia and Azalea Halls, Phase 2 of the $120 million residence hall project to replace Dorman and Deviney halls, is approximately 50 percent complete and will add 912-bed suites as well as Urban Eateries, a unique and modern dining concept, when they are finished in time for the start of the fall 2017 semester.

» Construction continues on the new $70 million Earth Ocean Atmospheric Science Building. This seven-story, 130,000 square foot inter-disciplinary facility will provide state of the art classrooms, teaching labs, research labs, and offices in order to bring faculty from environmental science, geology, meteorology, and oceanography together in a new collaborative space designed to facilitate research, education, and outreach.

» Significant upgrades and renovations to Doak Campbell Stadium neared completion in anticipation for the start of the 2016 football season. These improvements included the creation of a new club-seating concept in the south end zone, as well as sky box improvements, structural repairs, and additional upgrades. Additionally, a new scoreboard has been installed in the north end zone that is now the second largest in the nation.

» Planning for expansion and improvement of the Student Union as well as the new College of Business continues.

» Donald L. Tucker Center facility improvements continue and include completely renovated locker rooms for the men's and women's basketball teams, a new sound system, a new marquee, and numerous other structural, aesthetic, and mechanical repairs and upgrades.

Additionally, FSU was voted the most beautiful campus in America by *HouseBeautiful* and ranked seventh in the country according to *College Magazine*.

Preeminence and Performance Funding

Florida State continues to progress in its second year as one of two preeminent universities designated by the Florida Legislature having met all 12 of the 12 required metrics. As a result of the Legislative Session, preeminence and performance based funding increased by $13.5 million and $10.6 million, respectively. Preeminence funding totals $35 million in the University's 2016-17 operating budget, supplementing its annual base budget. In turn, these resources were used to hire 57 new faculty in STEM and other areas, as well as, 23 campus-based entrepreneurial teaching faculty.

Efficiency and Effectiveness

While we are proud of FSU's movement up the U.S. News & World Report rankings of the top public universities in the nation, we are also pleased that we have been able to maintain our ranking as one of the most efficient universities in the country. It is through the hard work and dedication of our faculty and staff towards continuously improving efficiency and effectiveness that we have been able to accomplish this.

» Florida State has lead the way in the State University System to partner with other universities and institutions in order to identify shared services and gain significant cost savings on numerous state-wide contracts.

» The University has been able to improve energy efficiency across campus and has begun entering into performance contracts in order to further reduce our environmental footprint and save money.

» A new fleet management system was established in order to help ensure the efficient use of service vehicles on campus, improve the maintenance of existing service vehicles, and provide alternatives to vehicle ownership.

» A new space management system was implemented in order to more appropriately and efficiently utilize and monitor the facilities available to students, faculty, and staff.

Florida State can be proud of its many achievements in 2015-2016, and we have set the University on a path to even greater national prominence ahead. The future truly is FSU!

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 2015.

Campus / Centers / Programs

In each succeeding decade, the University has added to its academic organization and now comprises 16 colleges, plus the Graduate School. It has expanded to 391 buildings on approximately 1,650 acres, including the downtown Tallahassee main campus of 476 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.

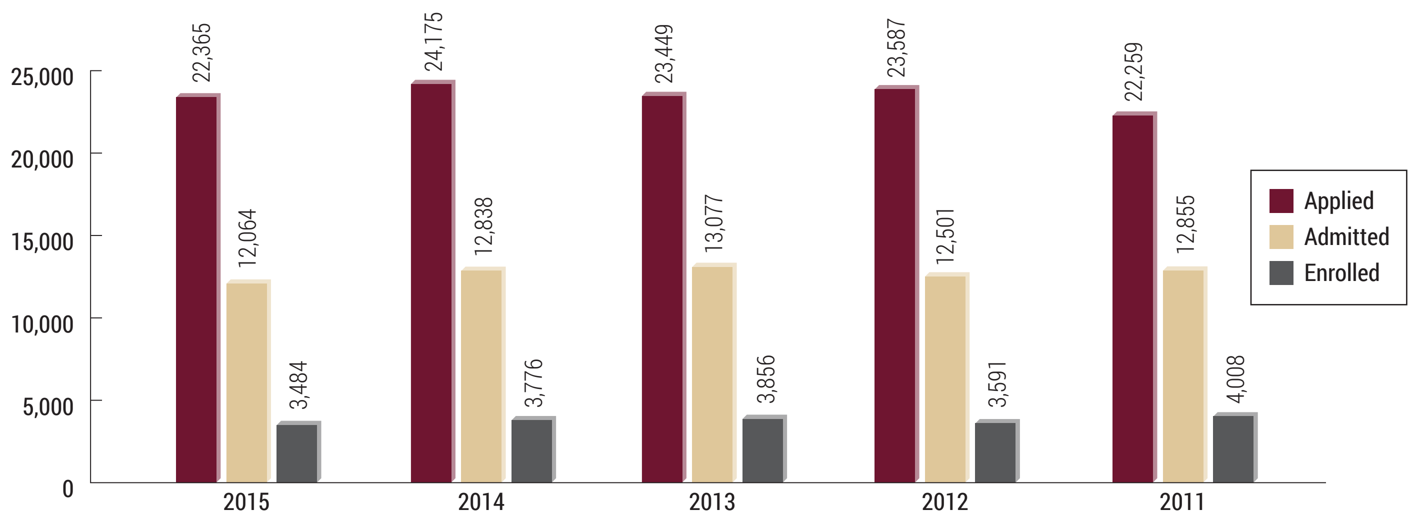
Through Academic and Professional Program Services, the University offers courses and degree programs online and at many off-campus sites around the State, non-credit programs, workshops, seminars, and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota, 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 131 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes 22 National Merit 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 151 graduate/specialist degree programs, 80 doctoral programs, and 3 professional programs.

Freshman Applied, Admitted and Enrolled (Fall Term)



Headcount by School/College (Fall Term)	2015	2014	2013	2012	2011
Applied Studies	287	285	299	129	41
Arts and Sciences	10,788	10,959	10,696	10,593	10,712
Business	6,325	5,999	5,755	5,822	5,843
Communication and Information	2,318	2,466	2,479	2,531	2,614
Criminology and Criminal Justice	1,906	1,895	1,915	1,812	1,766
Education	2,043	2,118	2,127	2,187	2,221
Engineering	2,198	2,268	2,183	2,051	1,980
Fine Arts	1,305	1,342	1,419	1,479	1,540
The Graduate School	19	18	16	12	8
Human Sciences	2,949	2,972	3,280	3,246	3,021
Law	614	665	709	704	734
Medicine	532	527	527	521	519
Motion Pictures Arts	175	215	211	220	174
Music	1,051	1,082	1,141	1,149	1,160
Nursing	553	388	406	451	670
Social Sciences and Public Policy	4,806	4,789	4,692	4,770	4,886
Social Work	841	917	842	894	815
Undecided/Special	2,763	2,868	2,780	2,730	3,006
Total	**41,473**	**41,773**	**41,477**	**41,301**	**41,710**

Degrees Awarded - Academic Year	2015-16	2014-15	2013-14	2012-13	2011-12
Bachelor’s	8,552	8,421	8,105	9,987	7,860
Master’s	2,060	2,153	2,065	2,637	2,142
Specialist	53	49	49	52	59
Juris Doctorate	189	259	262	239	288
Doctorate	406	444	436	555	444
M.D.	120	114	115	112	118
Total	**11,380**	**11,440**	**11,032**	**13,582**	**10,911**

Faculty

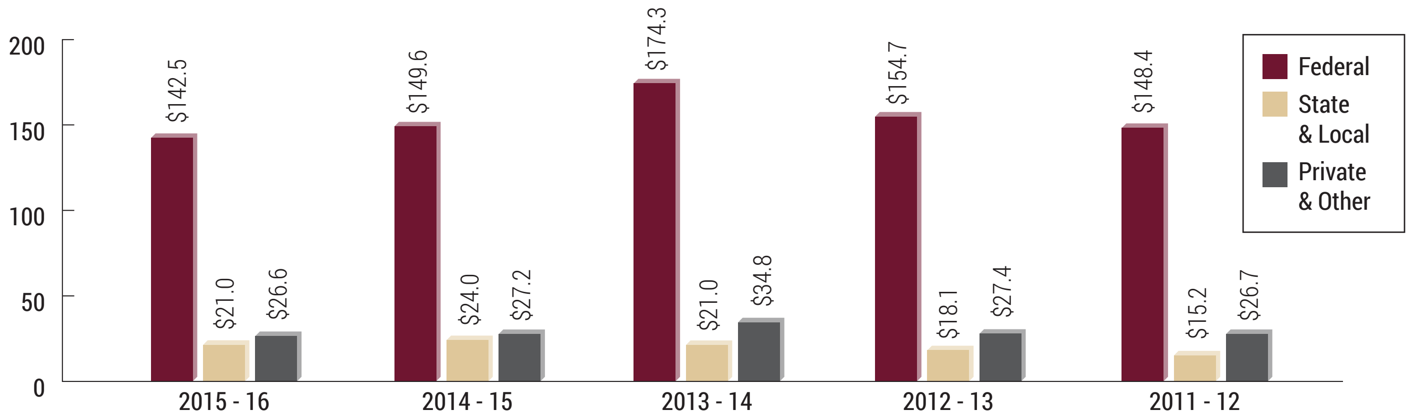
It is the official policy of the University to recruit the most talented faculty from leading centers of learning throughout the world. The University faculty has included six Nobel Laureates and thirteen members of the National Academy of Sciences. Many of the University's faculty have received national 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
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
2015-16	1,915	75	832	1,831	25:1

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 2015-16 fiscal year, the University faculty and administrators generated more than $190 million in external funding to supplement State funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities, and to support the research itself.

Contracts & Grants Awards Received (in millions)



Libraries

The University's library system, which ranks among the nation's top research libraries, is made up of eight libraries on campus. The libraries' total collection includes more than 2.8 million volumes of books and periodicals. Also, access to 1,064 databases, 1,244,589 electronic books and 119,385 electronic journals allows students, faculty and staff to do research from their offices or homes.

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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State University and of its aggregate discretely presented component units as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, 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 dated March 3, 2017, on our consideration of the Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 the Florida State University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 3, 2017
Audit Report No. 2017-134

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, 2016, 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, 2016, and June 30, 2015.

Financial Highlights

The University's assets totaled $2.8 billion at June 30, 2016. This balance reflects a $107.6 million, or 4 percent, increase as compared to the 2014-15 fiscal year resulting primarily from a $30.6 million increase in investments of unspent bond proceeds received from one of its component units, and an increase in construction in progress of $50.6 million primarily related to constructing a new dormitory on the main campus of the University. Liabilities also increased by $105.1 million, or 15.8 percent, totaling $770.3 million at June 30, 2016, as compared to $665.2 million at June 30, 2015. Unearned Revenue increased by $8 million, or 14.1 percent, primarily due to an increase in state sponsored capital appropriations. Funds held by the University on behalf of its component unit for new construction increased various current liabilities by $30.6 million. Noncurrent capital improvement debt payable decreased by $12.8 million, or 4.6 percent. The University's collective net pension liability increased by $57.5 million, or 56.1 percent, due to an increase in its proportionate share of the State's net pension liability based on updated actuarial valuations. Deferred outflows of pension resources increased $12.6 million, or 24.1 percent. Deferred inflows of pension resources decreased by $49.1 million, or 66.7 percent. As a result, the University's net position increased by $64.2 million, and remained consistent in total with the prior year's balance of $2 billion.

The University's operating revenues totaled $590.5 million for the 2015-16 fiscal year, representing a 3.7 percent decrease over the 2014-15 fiscal year. Federal, State, Local, and Nongovernmental Grants and Contracts revenues decreased by $17.2 million, or 9.3 percent in total. Operating expenses totaled $1.1 billion for the 2015-16 fiscal year, representing an increase of 2.5 percent over the 2014-15 fiscal year primarily due to a $30.2 million, or 4.6 percent increase in compensation and employee benefits.

Net nonoperating revenues totaled $537.2 million, representing an increase of $56.5 million, or 11.8 percent, from the 2014-15 fiscal year. This increase is primarily due to the increase in State noncapital appropriations in the amount of $34 million, or 9.4 percent. In addition, noncapital grants, contracts, and gifts increased by $13.3 million, or 36.7 percent. Further, Capital Grants, Contracts, Donations and Fees increased by $21.3 million, or 262.5 percent, primarily due to the acquisition of capital assets as a result of the University's assumption of budgetary management for the joint FAMU/FSU College of Engineering.

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)

	2016	2015
Assets		
Current Assets	$ 786,342	$ 728,266
Capital Assets, Net	1,893,823	1,852,189
Other Noncurrent Assets	124,939	117,043
Total Assets	**2,805,104**	**2,697,498**
Deferred Outflows of Resources	**64,812**	**52,209**
Liabilities		
Current Liabilities	197,530	150,812
Noncurrent Liabilities	572,812	514,406
Total Liabilities	**770,342**	**665,218**
Deferred Inflows of Resources	**24,481**	**73,576**
Net Position		
Net Investment in Capital Assets	1,635,368	1,609,556
Restricted	229,688	204,982
Unrestricted	210,037	196,375
Total Net Position	**$ 2,075,093**	**$ 2,010,913**

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)

	2015-16	2014-15
Operating Revenues	$ 590,541	$ 613,038
Less, Operating Expenses	(1,101,212)	(1,074,308)
Operating Loss	**(510,671)**	**(461,270)**
Net Nonoperating Revenues	537,182	480,686
Gain Before Other Revenues, Expenses, Gains, or Losses	**26,511**	**19,416**
Other Revenues, Expenses, Gains, or Losses	37,669	20,040
Net Increase in Net Position	**64,180**	**39,456**
Net Position, Beginning of Year	2,010,913	2,102,985
Adjustment to Beginning Net Position	-	(131,528)
Net Position, End of Year	**$ 2,075,093**	**$ 2,010,913**

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)

	2015-16	2014-15
Net Tuition and Fees	$ 253,263	$ 251,879
Grants and Contracts	168,362	185,580
Sales and Services of Auxiliary Enterprises	160,914	165,991
Other	8,002	9,588
Total Operating Revenues	**$ 590,541**	**$ 613,038**

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)

	2015-16	2014-15
Compensation and Employee Benefits	$ 688,868	$ 658,671
Services and Supplies	212,630	220,437
Utilities and Communications	36,411	38,343
Scholarships, Fellowships, and Waivers	83,250	83,481
Depreciation	80,053	73,376
Total Operating Expenses	**$ 1,101,212**	**$ 1,074,308**

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)

	2015-16	2014-15
State Noncapital Appropriations	$ 395,276	$ 361,291
Federal and State Student Financial Aid	87,317	91,345
Noncapital Grants, Contracts, and Gifts	49,725	36,385
Investment Income	10,069	9,774
Net Increase (Decrease) in the Fair Value of Investments	9,119	(3,701)
Other Nonoperating Revenues	4,082	476
Loss on Disposal of Capital Assets	(4,782)	(1,307)
Interest on Capital Asset-Related Debt	(9,055)	(8,899)
Other Nonoperating Expenses	(4,569)	(4,678)
Net Nonoperating Revenues	**$ 537,182**	**$ 480,686**

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)

	2015-16	2014-15
State Capital Appropriations	$ 8,194	$ 11,909
Capital Grants, Contracts, Donations, and Fees	29,475	8,131
Total	**$ 37,669**	**$ 20,040**

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)

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	$ (424,873)	(376,138)
Noncapital Financing Activities	572,561	478,938
Capital and Related Financing Activities	(86,842)	(74,190)
Investing Activities	(68,975)	(23,121)
Net Increase (Decrease) in Cash and Cash Equivalents	**(8,129)**	**5,489**
Cash and Cash Equivalents, Beginning of Year	26,469	20,980
Cash and Cash Equivalents, End of Year	**$ 18,340**	**$ 26,469**

Major sources of funds came from State noncapital appropriations ($395.3 million), Federal and State student financial aid ($87.2 million), net student tuition and fees ($248.3 million), grants and contracts ($170.3 million), and sales and services of auxiliary enterprises ($159 million). Major uses of funds were for payments made to and on behalf of employees ($676.9 million); payments to suppliers ($258.5 million); payments to and on behalf of students for scholarships ($83.2 million); and purchase or construction of capital assets ($80.9 million).

Capital Assets

At June 30, 2016, the University had $2.9 billion in capital assets, less accumulated depreciation of $1 billion, for net capital assets of $1.9 billion. Depreciation charges for the current fiscal year totaled $80.1 million.

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

Capital Assets, Net at June 30 (in thousands)

	2016	2015
Land	$ 78,606	$ 77,453
Construction in Progress	74,652	24,079
Buildings	1,457,303	1,459,503
Infrastructure and Other Improvements	68,140	69,648
Furniture and Equipment	97,069	100,649
Library Resources	32,427	30,981
Works of Art and Historical Treasures	74,483	74,274
Computer Software and Other Capital Assets	11,143	15,602
Capital Assets, Net	**$ 1,893,823**	**$ 1,852,189**

Capital Expenses and Commitments

Major capital expenses through June 30, 2016, were incurred on the following projects: University Housing Replacement, Phase 2 totaling $34.3 million, Doak Campbell Stadium Scoreboard $5.2 million, and Donald L. Tucker Civic Center Renovations totaling $3.6 million.

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

Capital Commitments at June 30 (in thousands)

	2016
Total Committed	$ 208,297
Completed to Date	(74,652)
Balance Committed	**$ 133,645**

Debt Administration

As of June 30, 2016, the University had $278 million in outstanding capital improvement debt, representing a decrease of $12.5 million, or 4.3 percent, from the prior fiscal year.

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

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

	2016	2015
Capital Improvement Debt	$ 277,728	$ 290,252
Loans and Notes Payable	252	403
Total	**$ 277,980**	**$ 290,655**

Economic Factors That Will Affect The Future

As a State-supported public institution, the University's economic outlook is closely tied to the State of Florida. The 2016 Florida Legislature approved an $82.3 billion budget for the 2016-17 fiscal year, an increase of $3.6 billion or 4.6 percent from the previous year. This increase translated to an additional $25.5 million in recurring General Revenue funding to the University, which includes an additional $10.6 million of performance-based funding and $13.5 million in additional preeminence funding. The University also received Capital State Appropriations of $12 million for a new Earth, Ocean, and Atmospheric Sciences (EOAS) building, $3.3 million for Student Union renovations, and $8.8 million for building maintenance and repairs. State funding for the EOAS building and the Student Union now totals $40.9 million and $18.8 million, respectively.

The cost of higher education continues to be a concern of the State Legislature, which has kept student tuition unchanged since fiscal year 2013-14. Flat tuition rates combined with modest State appropriations increases highlight the importance of the University's $1 billion Raise the Torch Campaign, which had received over $928 million in gift commitments as of July 31, 2016.

Florida State University has made great strides towards its goal of becoming a top 25 public university, moving up five places in the U.S. News & World Report rankings to number 38 among all public national universities, the greatest gain of all Top 50 public universities. With its excellent and improving national reputation, the University is well positioned to continue its robust fund raising efforts and to benefit from preeminence and performance-based funding from a legislature whose leadership has expressed its commitment to increasing state public university funding in upcoming budget years.

Requests for Information

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

Statement of Net Position as of June 30, 2016 *(in thousands)*

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,387	$ 37,688
Investments	652,144	133,236
Accounts Receivable, Net	44,384	109,967
Loans and Notes Receivable, Net	1,958	24,687
Due from State	46,739	-
Due from Component Units/University	7,104	17,721
Inventories	2,355	244
Other Current Assets	17,271	1,001
Total Current Assets	**786,342**	**324,544**
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,953	6,201
Restricted Investments	107,430	566,271
Loans and Notes Receivable, Net	8,924	1,000
Depreciable Capital Assets, Net	1,666,083	156,873
Nondepreciable Capital Assets	227,740	101,885
Other Noncurrent Assets	4,632	103,040
Total Noncurrent Assets	**2,018,762**	**935,270**
TOTAL ASSETS	**2,805,104**	**1,259,814**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	**64,812**	**-**
Loss on Debt Refunding	**-**	**2,572**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 18,264	$ 11,356
Construction Contracts Payable	11,545	-
Salaries and Wages Payable	23,427	-
Deposits Payable	21,676	31
Due to Component Units/University	34,775	10,012
Unearned Revenue	64,671	34,419
Other Current Liabilities	2,419	3,420
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	12,844	-
Bonds Payable	-	4,607
Loans and Notes Payable	215	1,088
Accrued Self-Insurance Claims	242	-
Compensated Absences Payable	4,908	-
Net Pension Liability	2,544	-
Total Current Liabilities	**197,530**	**64,933**
Noncurrent Liabilities:		
Capital Improvement Debt Payable	264,884	-
Bonds Payable	-	169,937
Loans and Notes Payable	37	15,104
Accrued Self-Insurance Claims	338	-
Compensated Absences Payable	64,112	1,073
Unearned Revenue	-	49,807
Other Noncurrent Liabilities	20,962	7,818
Other Postemployment Benefits Payable	65,108	-
Net Pension Liability	157,371	-
Total Noncurrent Liabilities	**572,812**	**243,739**
TOTAL LIABILITIES	**770,342**	**308,672**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	**24,481**	**-**
NET POSITION		
Net Investment in Capital Assets	$ 1,635,368	$ 73,505
Restricted for Nonexpendable, Endowment	-	472,911
Restricted for Expendable:		
Debt Service	3,865	-
Loans	4,773	-
Capital Projects	65,549	-
Other	155,501	90,012
Endowment	-	214,843
Unrestricted	210,037	102,443
TOTAL NET POSITION	**$ 2,075,093**	**$ 953,714**

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

Statement of Revenues, Expenses, and Changes in Net Position for the Fiscal Year Ended June 30, 2016 *(in thousands)*

	University	Component Units
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances of $125,562	$ 253,263	$ -
Federal Grants and Contracts	138,216	-
State and Local Grants and Contracts	18,348	-
Nongovernmental Grants and Contracts	11,798	-
Sales and Services of Auxiliary Enterprises	160,914	-
Sales and Services of Component Units	-	26,541
Royalties and Licensing Fees	-	9,843
Gifts and Donations	-	139,803
Interest on Loans and Notes Receivable	310	-
Other Operating Revenues	7,692	17,012
Total Operating Revenues	**590,541**	**193,199**
OPERATING EXPENSES		
Compensation and Employee Benefits	688,868	29,016
Services and Supplies	212,630	123,106
Utilities and Communications	36,411	266
Scholarships, Fellowships, and Waivers	83,250	-
Depreciation	80,053	7,158
Total Operating Expenses	**1,101,212**	**159,546**
OPERATING GAIN (LOSS)	**(510,671)**	**33,653**
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	395,276	-
Federal and State Student Financial Aid	87,317	-
Noncapital Grants, Contracts, and Gifts	49,725	-
Investment Income	10,069	6,681
Net Increase (Decrease) in the Fair Value of Investments	9,119	(15,519)
Investment Expense	-	(87)
Other Nonoperating Revenues	4,082	7,732
Loss on Disposal of Capital Assets	(4,782)	-
Interest on Capital Asset-Related Debt	(9,055)	(550)
Other Nonoperating Expenses	(4,569)	(4,305)
NET NONOPERATING REVENUES (EXPENSES)	**537,182**	**(6,048)**
Income Before Other Revenues, Expenses, Gains, or Losses	**26,511**	**27,605**
State Capital Appropriations	8,194	-
Capital Grants, Contracts, Donations, and Fees	29,475	6,565
Additions to Permanent Endowments	-	13,137
Increase in Net Position	**64,180**	**47,307**
Net Position, Beginning of Year	2,010,913	911,707
Adjustments to Net Position, Beginning of Year	-	(5,300)
Net Position, Beginning of Year (As Restated)	2,010,913	906,407
NET POSITION, END OF YEAR	**$ 2,075,093**	**$ 953,714**

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

Statement of Cash Flows for the Fiscal Year Ended June 30, 2016 *(in thousands)*

		University
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	$	248,337
Grants and Contracts		170,285
Sales and Services of Auxiliary Enterprises		158,955
Interest on Loans and Notes Receivable		310
Other Operating Receipts		15,260
Payments to Employees		(676,948)
Payments to Suppliers for Goods and Services		(258,524)
Payments to Students for Scholarships and Fellowships		(83,250)
Payments on Self-Insurance Claims		(365)
Loans issued to Students		(1,784)
Collections on Loans to Students		2,851
Net Cash Used by Operating Activities		**(424,873)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Noncapital Appropriations		395,276
Noncapital Grants, Contracts and Gifts		60,069
Federal and State Student Financial Aid		87,246
Federal Direct Loan Program Receipts		177,430
Federal Direct Loan Program Disbursements		(177,848)
Net Change in Funds Held for Others		31,985
Other Nonoperating Receipts		4,026
Other Nonoperating Disbursements		(5,623)
Net Cash Provided by Noncapital Financing Activities		**572,561**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Appropriations		12,677
Capital Grants, Contracts, Donations, and Fees		3,864
Purchase or Construction of Capital Assets		(80,852)
Principal Paid on Capital Debt		(11,360)
Interest Paid on Capital Debt		(11,171)
Net Cash Used by Capital and Related Financing Activities		**(86,842)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		849,946
Purchase of Investments		(928,475)
Investment Income		9,554
Net Cash Used by Investing Activities		**(68,975)**
Net Decrease in Cash and Cash Equivalents		(8,129)
Cash and Cash Equivalents, Beginning of Year		26,469
Cash and Cash Equivalents, End of Year	**$**	**18,340**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$**	**(510,671)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		80,053
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Loans and Notes Receivable, Net		1,471
Other Receivables, Net		(307)
Inventories		211
Deferred Charges and Other Assets		(2,424)
Accounts Payable		(7,674)
Salaries and Wages Payable		5,152
Accrued Insurance Claims		(365)
Deposits Payable		(3)
Compensated Absences Payable		3,629
Other Postemployment Benefits Payable		7,387
Unearned Revenue		2,916
Pension Liability		57,450
Pension Deferred Outflows		(12,603)
Pension Deferred Inflows		(49,095)
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(424,873)**
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Unrealized gains on investments were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	$	9,119
Losses from the write off of capital assets were recognized on the statement of revenues, expenses and changes in net position, but are not cash transactions for the statement of cash flows.	$	(4,782)
Donations 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.	$	29,475

The accompanying notes to 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. (Ringling Museum Foundation)** - The Ringling Museum Foundation was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. 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.

Fair Value Measurement

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

Capital Assets

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

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

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

Noncurrent Liabilities

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

Pensions

For the purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net 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 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 implemented GASB Statement No.72, *Fair Value Measurement and Application*, which requires the University to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

3 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.

All of the University's recurring fair value measurements as of June 30, 2016 are valued using quoted market prices (Level 1 inputs) with the exception of investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 748,984,604	$ -	$ -	$ 748,984,604
State Board of Administration Debt Service Accounts	3,731,631	3,731,631	-	-
Mutual Funds:				
Bonds	4,817,581	4,817,581	-	-
Equities	2,040,334	2,040,334	-	-
Total Investments by Fair Value Level	**$ 759,574,150**	**$ 10,589,546**	**$ -**	**$ 748,984,604**

External Investment Pool

The University reported investments at fair value totaling $748,984,604 at June 30, 2016, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.61 years and fair value factor of 1.0143 at June 30, 2016. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling $3,731,631 at June 30, 2016, 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 $6,857,915 at June 30, 2016, in various debt and equity mutual funds. Bond mutual fund investments totaling $4,817,581 consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. Equity mutual fund investments totaling $2,040,334 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's investments in bond mutual funds are subject to interest rate risk. The effective average duration of the program's investments in bond mutual funds as of June 30, 2016 range from 2.74 years to 6.53 years.

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, 2016, as follows:

Investment Type	Fair Value	AA/Aa	A/Ba
Bond Mutual Funds	$ 4,817,581	$ 3,837,053	$ 980,528

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, 2016.

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, 2016, are as follows:

Investment Type	Fair Value	Percentage of Total Investments
Short Term Bond Index Fund	$ 3,837,053	56
Total Stock Market Index Fund	1,366,728	20
Intermediate Term Bond Index Fund	980,528	14
International Stock Index Fund	673,606	10
Total	**$ 6,857,915**	**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, 2016, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Certificates of Deposit	153,611	153,611	-	-
Domestic Bonds & Notes	572,469	572,469	-	-
Domestic Stocks	27,779,022	17,764,088	-	10,014,934
International Stocks	16,227,228	16,227,228	-	-
Mutual Funds	88,409,205	40,939,146	47,470,059	-
Real Estate Investments	21,748,278	21,069,652	-	678,626
Other Investments	40,795,497	40,795,497	-	-
Total Investments by Fair Value Level	**$ 195,685,310**	**$ 137,521,691**	**$ 47,470,059**	**$ 10,693,560**
Investments Measured at The Net Asset Value (NAV)				
Domestic Bonds & Notes	74,632,073			
Domestic Stocks	71,580,053			
International Stocks	106,842,019			
Real Estate Investments	11,332,915			
Hedge Funds	121,616,293			
Mutual Funds	2,034,916			
Private Equity Funds	43,341,372			
Private Real Estate Funds	36,748,596			
Total investments measured at NAV	468,128,237			
Investments at Amortized Cost				
SBA Florida PRIME	35,693,642			
Total Investments	**$ 699,507,189**			

The University's component units investments measured at the net asset value (NAV) as of June 30, 2016 totaled $468,128,237 as follows:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Domestic Bonds & Notes	$ 74,632,073	$ -	Daily	2 - 10 days
Domestic Stocks	71,580,053	-	Daily/1-6 months	2 - 60 days
International Stocks	106,842,019	-	Daily/1-6 months	2 - 60 days
Real Estate Investments	11,332,915	-	Daily	2 days
Hedge Funds:				
Diversifying strategies	19,762,620	-	Quarterly	45 days
Equity long/short	52,325,394	-	Quarterly/Annually/ Every 3 years	45 - 65 days
Event driven	36,196,728	-	Quarterly/Annually/ Every 12 months	30 - 90 days
Global macro	1,265,615	-	Monthly	10 days
Opportunistic debt	12,065,936	-	Quarterly/Annually/ Every 24 months	45 - 90 days
Mutual Funds	2,034,916	-		
Private Equity Funds	43,341,372	56,070,913		
Private Real Estate Funds	36,748,596	4,674,809		
Total Investments Measured at NAV	**$ 468,128,237**	**$ 60,745,722**		

Component Unit External Investment Pool

State Board of Administration Florida PRIME - The Research Foundation reported investments at fair value totaling $35,693,642 at June 30, 2016, 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, 2016, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted average days to maturity (WAM) of 39 days as of June 30, 2016. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost. Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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. Investments of the University's component units (excluding those reporting under FASB standards) in debt securities, bonds and notes, and bond mutual funds, and their future maturities at June 30, 2016, are as follows:

	Investment Maturities (in years)		
Investment Type	**Fair Value**	**Less Than 1**	**1-7**
Bond Mutual Funds	$ 2,114,211	$ 1,965,550	$ 148,661
Domestic Bonds & Notes	572,469	572,469	-
Total Component Units	**$ 2,686,680**	**$ 2,538,019**	**$ 148,661**

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, 2016, the University's component units (excluding those reporting under FASB standards) had bonds and notes and bond mutual funds with quality ratings by nationally recognized rating agencies (e.g. Moody's Investors Service) as follows:

Investment Type	Fair Value	AA/Aa	A/Ba	Not Rated
Bond Mutual Funds	$ 2,114,211	$ 572,509	$ 148,661	$ 1,393,041
Domestic Bonds & Notes	572,469	-	-	572,469
Total Component Units	**$ 2,686,680**	**$ 572,509**	**$ 148,661**	**$ 1,965,510**

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.

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.

4 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, 2016, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 15,738,712
Grants and Contracts	14,328,187
Sales and Services of Auxiliary Enterprises	14,471,441
Interest	1,136,812
Other	1,302,568
Total Accounts Receivable	**$ 46,977,720**

Loans and Notes Receivable

Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. Loans and notes receivable totaled $13,257,620 at June 30, 2016.

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 $2,593,530 and $2,375,663, respectively, at June 30, 2016. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5 DUE FROM STATE

This amount consists of $31,081,707 of Public Education Capital Outlay and $15,656,920 of Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

6 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2016. 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.

7 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 77,453,339	$ 1,152,394	$ -	$ 78,605,733
Works of Art and Historical Treasures	74,273,512	350,793	141,521	74,482,784
Construction in Progress	24,079,250	100,343,846	49,771,427	74,651,669
Total Nondepreciable Capital Assets	**$ 175,806,101**	**$ 101,847,033**	**$ 49,912,948**	**$ 227,740,186**
Depreciable Capital Assets:				
Buildings	$ 1,932,525,264	$ 46,743,341	$ 12,084,683	$ 1,967,183,922
Infrastructure and Other Improvements	133,525,604	3,177,929	-	136,703,533
Furniture and Equipment	317,082,053	21,343,997	10,048,074	328,377,976
Library Resources	135,914,181	8,587,150	104,096	144,397,235
Computer Software and Other Capital Assets	54,376,941	761,346	29,057	55,109,230
Total Depreciable Capital Assets	**2,573,424,043**	**80,613,763**	**22,265,910**	**2,631,771,896**
Less, Accumulated Depreciation:				
Buildings	473,022,072	42,090,083	5,231,705	509,880,450
Infrastructure and Other Improvements	63,877,578	4,686,295	-	68,563,873
Furniture and Equipment	216,432,849	20,936,978	6,060,781	231,309,046
Library Resources	104,933,800	7,140,186	104,096	111,969,890
Computer Software and Other Capital Assets	38,775,206	5,199,949	9,057	43,966,098
Total Accumulated Depreciation	**897,041,505**	**80,053,491**	**11,405,639**	**965,689,357**
Total Depreciable Capital Assets, Net	**$ 1,676,382,538**	**$ 560,272**	**$ 10,860,271**	**$ 1,666,082,539**

8 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, 2016, to spend the funds, as well as grants and contracts, auxiliary sales and services, and other revenues received prior to fiscal year end related to subsequent accounting periods.

As of June 30, 2016, the University reported the following amounts as unearned revenue:

Description	Amount
State Capital Appropriations	$ 41,940,595
Grants and Contracts	3,639,016
Sales and Services of Auxiliary Enterprises	19,035,597
Other	55,502
Total Unearned Revenue	**$ 64,670,710**

9 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2016, 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, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 290,251,603	$ -	$ 12,523,833	$ 277,727,770	$ 12,843,833
Loans and Notes Payable	402,477	76,255	227,158	251,574	215,035
Accrued Self-Insurance Claims	945,174	96,001	460,906	580,269	242,323
Compensated Absences Payable	65,429,063	8,126,168	4,535,728	69,019,503	4,907,714
Other Noncurrent Liabilities	16,652,263	5,853,679	1,543,932	20,962,010	-
Other Postemployment Benefits Payable	57,721,000	11,444,000	4,057,000	65,108,000	-
Net Pension Liability	102,465,026	77,552,433	20,102,533	159,914,926	2,543,800
Total Long-Term Liabilities	**$ 533,866,606**	**$ 103,148,536**	**$ 43,451,090**	**$ 593,564,052**	**$ 20,752,705**

Capital Improvement Debt Payable

The University had the following capital improvement debt payable outstanding at June 30, 2016:

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	$ 970,000	3.0	2022
2010A Housing	18,910,000	16,538,778	3.0 - 4.75	2040
2011A Housing	27,745,000	22,776,251	3.0 - 4.125	2031
2013A Housing	42,495,000	43,522,942	4.0 - 5.0	2033
2014A Housing	46,085,000	49,550,669	3.25 - 5.0	2031
2015A Housing	59,575,000	64,054,712	3.0 - 5.0	2035
Total Student Housing Debt	**198,310,000**	**197,413,352**		
2007A Parking	13,230,000	8,141,193	4.0 - 4.625	2026
2011A Parking	22,145,000	16,351,203	3.0 - 5.25	2031
2014A Parking	13,485,000	13,534,851	5.0	2025
Total Student Parking Debt	**48,860,000**	**38,027,247**		
2005A Dining	10,000,000	5,800,000	2.29	2025
2010A Wellness Center	31,320,000	25,399,891	4.0 - 5.0	2030
Total Auxiliary Debt	**288,490,000**	**266,640,490**		
2012 Research Foundation Revenue Debt	11,920,000	11,087,280	3.0 - 4.0	2031
Total Capital Improvement Debt	**$ 300,410,000**	**$ 277,727,770**		

(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 $354 million, and principal and interest paid for the current year totaled $22 million.

Revenue Pledged	Amount
Housing Rental Income	$ 44,704,601
Traffic, Parking and Transportation Fees	11,566,299
Food Service Revenues	2,072,229
Student Health Fees	14,793,905

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	15,350,000	8,902,801	24,252,801
2022-2026	77,820,000	33,878,618	111,698,618
2027-2031	72,440,000	17,242,794	89,682,794
2032-2036	36,555,000	4,516,688	41,071,688
2037-2040	4,115,000	499,700	4,614,700
Subtotal	**260,225,000**	**106,659,985**	**366,884,985**
Plus: Unamortized Premiums and Discounts, Net	17,502,770	-	17,502,770
Total	**$ 277,727,770**	**$ 106,659,985**	**$ 384,387,755**

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, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $69,019,503. The current portion of the compensated absences liability, $4,907,714, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable

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

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

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 2015-16 fiscal year, 1,330 retirees received postemployment healthcare benefits. The University provided required contributions of $4,057,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $4,676,000, which represents 1 percent of covered payroll.

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

The following table shows the University's annual OPEB cost for the 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)	$	5,628,000
Amortization of Unfunded Actuarial Accrued Liability		5,207,000
Interest on Normal Cost and Amortization		433,000
Annual Required Contribution		**11,268,000**
Interest on Net OPEB Obligation		2,309,000
Adjustment to Annual Required Contribution		(2,133,000)
Annual OPEB Cost (Expense)		**11,444,000**
Contribution Toward the OPEB Cost		(4,057,000)
Increase in Net OPEB Obligation		**7,387,000**
Net OPEB Obligation, Beginning of Year		57,721,000
Net OPEB Obligation, End of Year	**$**	**65,108,000**

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, 2016, and for the two preceding fiscal years, were as follows:

Fiscal Year		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
2013-14	$	18,449,000	23	$	44,279,000
2014-15		17,143,000	22		57,721,000
2015-16		11,444,000	35		65,108,000

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $140,923,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $140,923,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $423,172,345 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.3 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. Actuarially determined amounts 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the University's 2015-16 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1, 7.5, and 8.8 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.0, 5.7, and 7.0 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 60 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis.

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, 2016, the University's proportionate share of the net pension liabilities totaled $159,914,926.

10 RETIREMENT PLANS - DEFINED BENEFIT PENSION PLANS

General Information about the Florida Retirement System (FRS)

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

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

The University's pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled $16,635,963 for the 2015-16 fiscal year.

FRS Pension Plan

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

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

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

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

Benefits Provided - Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation.

For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following 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 services	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service or more	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of services	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 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 2015-16 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	**Employee**	**Employer (1)**
Florida Retirement System, Regular	3.00	7.26
Florida Retirement System, Senior Management Service	3.00	21.43
Florida Retirement System, Special Risk	3.00	22.04
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	12.88
Florida Retirement System, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .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 $17,510,994 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2016, the University reported a liability of $93,262,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportion was 0.72 percent, which was an increase of 0.02 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of $11,310,456. 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	$ 9,845,781	$ 2,211,908
Changes of Assumptions	6,190,159	-
Net difference between projected and actual earnings on pension plan investments	-	22,269,575
Changes in proportion and differences between University contributions and proportionate share of contributions	20,583,583	-
University contributions subsequent to the measurement date	17,510,994	-
Total	**$ 54,130,517**	**$ 24,481,483**

The deferred outflows of resources related to pensions totaling $17,510,994, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. 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
2017	$ (2,735,090)
2018	(2,735,090)
2019	(2,735,090)
2020	15,638,005
2021	3,962,017
Thereafter	743,288
Total	**$ 12,138,040**

Actuarial Assumptions - The total pension liability in the July 1, 2015, 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 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	**100.0%**			
Assumed Inflation - Mean		2.6%		1.9%

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

Discount Rate - The discount rate used to measure the total pension liability was 7.65 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	$ 241,664,777	$ 93,262,711	$ (30,232,184)

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 Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $3,373,247 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions
At June 30, 2016, the University reported a liability of $66,652,215 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportion was 0.65 percent, which was an increase of 0.01 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of $5,325,507. 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		5,243,790
Net difference between projected and actual earnings on pension plan investments		36,081
Changes in proportion and differences between University contributions and proportionate share of contributions		2,028,535
University contributions subsequent to the measurement date		3,373,247
Total	**$**	**10,681,653**

The deferred outflows of resources totaling $3,373,247 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. 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
2017	$	1,273,119
2018		1,273,119
2019		1,273,119
2020		1,265,786
2021		1,262,266
Thereafter		960,997
Total	**$**	**7,308,406**

Actuarial Assumptions - The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used 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.......................3.80 percent

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

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

Discount Rate - The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.8 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 (2.8 percent) or 1 percentage-point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
University's proportionate share of the net pension liability	$ 75,947,096	$ 66,652,215	$ 58,901,679

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.

11 RETIREMENT PLANS - DEFINED CONTRIBUTION PENSION PLANS

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial 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 2015-16 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, 2016, 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 $2,761,292 and employee contributions totaled $1,099,931 for the 2015-16 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, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $17,305,706 and employee contributions totaled $11,386,239 for the 2015-16 fiscal year.

12 CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2016, are as follows:

Project Description	Total Commitment	Completed to Date	Committed Balance
University Housing Expansion - Phase 2	$ 69,663,255	$ 34,288,638	$ 35,374,617
Earth Ocean Atmospheric Science Building	28,850,000	2,130,840	26,719,160
Doak Campbell Stadium Scoreboard	15,775,000	5,153,769	10,621,231
Student Union Expansion	15,406,920	-	15,406,920
Donald L. Tucker Civic Center Renovations	13,026,343	3,599,457	9,426,886
Other (1)	65,575,396	29,478,965	36,096,431
Total	**$ 208,296,914**	**$ 74,651,669**	**$ 133,645,245**

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

13 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 2015-16 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 through February 14, 2016, and increased to $85 million starting February 15, 2016. 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 2015-16 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
2014-15	$ 662,000	$ 303,000	$ (19,826)	$ 945,174
2015-16	945,174	96,001	(460,906)	580,269

14 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	$ 347,220,707
Research	143,695,992
Public Service	35,438,523
Academic Support	76,969,651
Student Services	43,527,620
Institutional Support	62,931,355
Operation and Maintenance of Plant	72,635,739
Scholarships and Fellowships	83,249,393
Depreciation	80,053,491
Auxiliary Enterprises	154,786,791
Loan Operations	702,684
Total Operating Expenses	**$ 1,101,211,946**

15 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	$ 4,161,422	$ 60,731,185
Capital Assets, Net	73,404,558	272,862,127
Other Noncurrent Assets	2,558,115	48,527,579
Total Assets	**80,124,095**	**382,120,891**
Liabilities		
Current Liabilities	3,561,413	17,727,677
Noncurrent Liabilities	34,782,031	191,190,042
Total Liabilities	**38,343,444**	**208,917,719**
Net Position		
Net Investment in Capital Assets	35,377,310	92,901,923
Restricted - Expendable	2,558,144	25,380,241
Unrestricted	3,845,197	54,921,008
Total Net Position	**$ 41,780,651**	**$ 173,203,172**
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating Revenues	$ 11,566,299	$ 44,704,601
Depreciation Expense	(2,057,917)	(6,103,035)
Other Operating Expenses	(5,807,210)	(21,229,547)
Operating Income	3,701,172	17,372,019
Net Nonoperating Expenses	(1,285,934)	(2,076,015)
Income Before Other Revenues, Expenses, Gains, or Losses	2,415,238	15,296,004
Other Revenues, Expenses, Gains, or Losses	(279,917)	10,977,436
Increase in Net Position	2,135,321	26,273,440
Net Position, Beginning of Year	39,645,330	146,929,732
Net Position, End of Year	**$ 41,780,651**	**$ 173,203,172**
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	$ 5,711,099	$ 23,381,010
Noncapital Financing Activities	(279,917)	10,955,421
Capital and Related Financing Activities	(5,207,288)	(43,798,438)
Investing Activities	(237,232)	9,409,202
Net Decrease in Cash and Cash Equivalents	**(13,338)**	**(52,805)**
Cash and Cash Equivalents, Beginning of Year	62,838	161,837
Cash and Cash Equivalents, End of Year	**$ 49,500**	**$ 109,032**

16 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	$ 8,489,409
Total Assets	**8,489,409**
Liabilities	
Other Current Liabilities	485,790
Noncurrent Liabilities	337,945
Total Liabilities	**823,735**
Net Position	
Restricted - Expendable	7,665,674
Total Net Position	**$ 7,665,674**
Condensed Statement of Revenues, Expenses and Changes in Net Position	
Operating Revenues	$ 586,228
Other Operating Expenses	(296,169)
Operating Income	**290,059**
Other Revenues, Expenses, Gains, and Losses	1,215,748
Increase in Net Position	**1,505,807**
Net Position, Beginning of Year	6,159,867
Net Position, End of Year	**$ 7,665,674**
Condensed Statement of Cash Flows	
Net Cash Provided (Used) by:	
Operating Activities	$ 163,175
Investing Activities	(409,953)
Financing Activities	(15,556)
Net Decrease in Cash and Cash Equivalents	**(262,334)**
Cash and Cash Equivalents, Beginning of Year	1,893,829
Cash and Cash Equivalents, End of Year	**$ 1,631,495**

17 DISCRETELY PRESENTED COMPONENT UNITS

The University has ten component units as discussed in note 1, which had material activity during the 2015-16 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 6/30/2016	Boosters 6/30/2016	International Programs Association 9/30/2015	Alumni Association 6/30/2016
Condensed Statement of Net Position				
Assets:				
Current Assets	$ 87,137,314	$ 73,461,180	$ 14,169,880	$ 1,567,158
Capital Assets, Net	4,164,336	194,223,373	20,253,330	61,145
Other Noncurrent Assets	561,560,638	105,672,365	-	1,777
Total Assets	**652,862,288**	**373,356,918**	**34,423,210**	**1,630,080**
Deferred Outflows of Resources	**-**	**2,572,491**	**-**	**-**
Liabilities:				
Current Liabilities	9,843,661	29,413,700	3,270,980	196,163
Noncurrent Liabilities	11,070,835	202,660,912	5,286,142	-
Total Liabilities	**20,914,496**	**232,074,612**	**8,557,122**	**196,163**
Net Position:				
Net Investment in Capital Assets	4,164,336	41,090,820	14,427,997	61,145
Restricted	646,944,546	113,617,202	-	-
Unrestricted	(19,161,090)	(10,853,225)	11,438,091	1,372,772
Total Net Position	**$ 631,947,792**	**$ 143,854,797**	**$ 25,866,088**	**$ 1,433,917**
Condensed Statement of Revenues, Expenses, and Changes in Net Position				
Operating Revenues	$ 99,197,663	$ 28,379,441	$ 18,265,577	$ 1,583,489
Operating Expenses	59,745,913	40,100,453	14,996,321	3,162,303
Operating Income (Loss)	39,451,750	(11,721,012)	3,269,256	(1,578,814)
Net Nonoperating Revenues (Expenses)	(11,095,915)	2,632,346	757,334	2,117,655
Other Revenues, Expenses, Gains, and Losses	14,125,367	5,365,274	-	-
Increase (Decrease) in Net Position	**42,481,202**	**(3,723,392)**	**4,026,590**	**538,841**
Net Position, Beginning of Year	589,466,590	152,971,438	21,839,498	895,076
Adjustment to Beginning Net Position	-	(5,393,249)	-	-
Net Position, End of Year	**$ 631,947,792**	**$ 143,854,797**	**$ 25,866,088**	**$ 1,433,917**

					Other	Total
Research Foundation 6/30/2016	**Ringling Museum Foundation 6/30/2016**	**Florida Medical Practice Plan 6/30/2016**	**Magnet Research and Development 6/30/2016**	**Real Estate Foundation 6/30/2016**	**Florida State University Schools 6/30/2016**	
$ 124,274,263	$ 2,981,393	$ 4,234,474	$ 849,052	$ 93,763	$ 15,774,982	$ 324,543,459
16,341,811	574,064	-	-	2,161,837	20,978,424	258,758,320
7,158,863	1,797,414	-	-	321,001	-	676,512,058
147,774,937	**5,352,871**	**4,234,474**	**849,052**	**2,576,601**	**36,753,406**	**1,259,813,837**
-	**-**	**-**	**-**	**-**	**-**	**2,572,491**
18,781,765	91,268	1,892,473	247,658	14,746	1,180,257	64,932,671
10,815,598	-	-	-	-	13,906,180	243,739,667
29,597,363	**91,268**	**1,892,473**	**247,658**	**14,746**	**15,086,437**	**308,672,338**
5,586,162	624,852	-	-	-	7,550,070	73,505,382
-	2,504,879	-	-	2,431,929	12,267,123	777,765,679
112,591,412	2,131,872	2,342,001	601,394	129,926	1,849,776	102,442,929
$ 118,177,574	**$ 5,261,603**	**$ 2,342,001**	**$ 601,394**	**$2,561,855**	**$ 21,666,969**	**$ 953,713,990**
$ 16,685,815	$ 2,435,521	$ 8,844,365	$ 959,214	$ 1,693,403	$ 15,154,235	$ 193,198,723
15,779,575	2,400,386	8,106,790	765,755	481,452	14,006,570	159,545,518
906,240	35,135	737,575	193,459	1,211,951	1,147,665	33,653,205
821,656	11,922	21,180	(795,119)	(277,355)	(241,473)	(6,047,769)
-	-	-	-	-	210,663	19,701,304
1,727,896	**47,057**	**758,755**	**(601,660)**	**934,596**	**1,116,855**	**47,306,740**
116,449,678	5,214,546	1,489,690	1,203,054	1,627,259	20,550,114	911,706,943
-	-	93,556	-	-	-	(5,299,693)
$ 118,177,574	**$ 5,261,603**	**$ 2,342,001**	**$ 601,394**	**$ 2,561,855**	**$ 21,666,969**	**$ 953,713,990**

Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2015 unfunded actuarial accrued liability of $140,923,000 was significantly lower than the July 1, 2013 liability of $233,811,000 primarily due to a significant decrease in its percentage share of the actuarial accrued liability (AAL) based on an updated actuarial valuation.

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

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

Schedule of Net Pension Liability – Florida Retirement System Defined Benefit Pension Plan

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

Description	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 17,510,994	$ 17,604,243	$ 15,267,633
FRS contributions in relation to the contractually required FRS contribution	(17,510,994)	(17,604,243)	(15,267,633)
Contribution deficiency (excess)	$ -	$ -	$ -
University covered-employee payroll (2)	$ 423,172,345	$ 407,099,915	$ 389,854,458
FRS contributions as a percentage of covered-employee payroll	4.14%	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.

Schedule of Net Pension Liability – Health Insurance Subsidy Defined Benefit Pension Plan

Description	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.65%	0.64%	0.62%
University's proportionate share of the HIS net pension liability	$ 66,652,215	$ 59,936,732	$ 54,347,452
University's covered-employee payroll (2)	$ 196,319,296	$ 188,768,602	$ 179,775,016
University's proportion of the HIS net pension liability as a percentage of its covered-employee payroll	33.95%	31.75%	30.23%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	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

Description	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 3,373,247	$ 2,498,290	$ 2,195,911
HIS contributions in relation to the contractually required HIS contribution	(3,373,247)	(2,498,290)	(2,195,911)
Contribution deficiency (excess)	$ -	$ -	$ -
University covered-employee payroll (2)	$ 201,302,795	$ 196,319,296	$ 188,768,602
HIS contributions as a percentage of covered-employee payroll	1.68%	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, 2015, the municipal rate used to determine total pension liability decreased from 4.29 percent to 3.8 percent.

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2016, 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 3, 2017, 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*.

We noted certain matters that we reported to University management in our operational audit report No. 2017-086.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 3, 2017
Audit Report No. 2017-134

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