

# FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2017–2018







# Florida State University

## Annual Report 2017–2018

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# MESSAGE FROM THE PRESIDENT

Florida State University has made great strides as we vigorously pursue our strategic goals and continue our impressive upward trajectory. It brings me pride to celebrate the many successes of the past fiscal year, and I am grateful every day for the dedicated work of the faculty, students, staff, alumni, and friends who build upon our institution's historic strengths and lead FSU to even greater national prominence.

Florida State's reputation of academic excellence is rising throughout the state and the nation. Florida State moved up five places—for the second year in a row—in the *U.S. News & World Report's* "Best Colleges 2018" guidebook. The University's four-year graduation rate is the highest ever reported by a state university in Florida and places FSU among the top 25 universities nationally. FSU's "Take 15" campaign, which encourages students to take a full course load beginning with their first semester, contributed significantly to our outstanding graduation rate. This award-winning program is estimated to save taxpayers \$86 million and will contribute to higher lifetime earnings for our graduates.

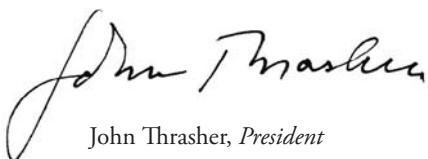
At the heart of Florida State University's rapid ascent in the national rankings is our focus on what really matters: student success. Ahead of the fall semester, FSU unveiled the Student Resilience Project, a training tool designed to help students develop strategies for coping with trauma and stress. This important initiative is required of all incoming freshmen and transfer students, and has brought FSU significant positive national attention. This fall, FSU's Entrepreneurship and Innovation Learning Community began housing its first students, reflecting our deepening commitment to foster budding entrepreneurs in an environment where they can live and learn together. These two initiatives are among many examples illustrating Florida State's unique focus on engaging students both inside and beyond the classroom.

This year, Florida State University hired the largest faculty cohort in its history. In recognition of FSU's preeminence, the legislature provided funding which allowed the creation of 125 new faculty lines. This extraordinary investment in the future of the institution will enhance and deepen our students' academic experience and will create new opportunities for research and interdisciplinary exploration.

Even before this recruiting endeavor, Florida State University's total research portfolio increased by \$16 million over the previous year. Impressively, FSU continues to receive more in National Science Foundation funding than any other university in the state. Our faculty's commitment to innovation, discovery, and creativity generates incredible knowledge and value.

Florida State University concluded the most ambitious fundraising campaign in the institution's history this year. Over the course of the five-year "Raise the Torch" campaign, Florida State received \$1.16 billion in gifts, well exceeding our \$1 billion fundraising goal. This generous private support will lift Florida State to even greater heights in the coming years.

These accomplishments, along with many others, demonstrate Florida State University's commitment to shaping the future of our state and society through exceptional teaching, research, creative activity, and service. FSU is on the rise, and I could not be more excited about our future.



John Thrasher, *President*  
Florida State University



# INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

Over the course of the past fiscal year, Florida State University has once again achieved excellence in providing an efficient and effective financial and administrative infrastructure in support of our institutional mission. I am pleased to reflect on some of Florida State's most notable accomplishments as we continue to successfully build the University's reputation for academic, research, and operational preeminence.

## Strategic Plan

The University is beginning to operationalize the goals outlined in our five-year strategic plan, which was approved last fiscal year. Guided by these goals, metrics and tactics are being finalized with input from the entire campus community. Many are already in motion and bearing fruit, and are reflected in the achievements outlined here.

## Operations

Once again, Florida State University was ranked among the top two of the nation's most efficient universities by *U.S. News & World Report*, upholding its long-standing reputation for fiscal stewardship. Our commitment to efficiency is matched with an unwavering dedication to quality, and is reflected in the many endeavors undertaken across campus this year.

- Florida State initiated a multi-year contract with Cenergistic LLC to further develop our customized energy conservation program, which covers all operational areas within the University, ranging from athletics to academics. Cost savings are estimated at \$12 million over the next five years.
- FSU's Police Department was awarded its fifth consecutive certificate of reaccreditation and earned the commission's Excelsior Recognition. This is the highest level of achievement a criminal justice organization can receive within the state of Florida.
- Demonstrating Florida State University's proactive approach to the safety of our campus community, the Police Department coordinated, filmed, and deployed our first-ever active shooter training video. The RUN, HIDE, FIGHT video is both informational and accessible, and has earned positive attention from other institutions of higher learning.
- As a part of FSU's strategy to increase efficiency, improve transparency and increase cost savings by leveraging buying power with vendors, the University implemented the Concur travel and expense system. This system is the industry standard for travel and expense management.
- For the third year in a row, Florida State's Procurement Services office was awarded the Excellence in Procurement Award by the National Procurement Institute. Among other initiatives, the University is implementing a new spend analysis tool in coordination with the State University System to better analyze and benchmark spend data. This new tool will assist FSU in identifying and leveraging new opportunities for savings.
- We continue to improve operational processes to promote efficiency, effectiveness, and transparency across our operations.

As part of these efforts, the University's phased implementation of a centralized auxiliary billing and accounts receivable system was awarded a Prudential Productivity Award by Florida TaxWatch and was recognized by the Southern Association of College and University Business Officers as an outstanding business practice.

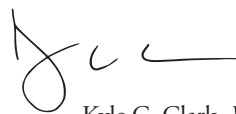
- By ensuring that FSU is a great place to work, we provide the platform our faculty and staff need to fulfill the important role they play in making Florida State so exceptional. As a part of these efforts, Florida State successfully piloted a new employee dependent scholarship program, which awarded scholarships to deserving undergraduate students for the first time this year. Additionally, significant efforts were devoted to researching and designing a new onboarding system that will enhance the experience of incoming faculty and staff members.

## Facilities

Florida State University is known for its strikingly beautiful campus, and the landscape continues to develop as work progresses on several high-impact construction projects.

- Work has commenced to construct the new Student Union, an impressive and modern building that will transform the north entryway to campus. The facility will include space for student activities, student government, Greek life, retail, dining, and outdoor courtyards.
- Adjacent to the Student Union, the Earth, Ocean, and Atmospheric Science building is over 50 percent completed.
- Renovations to the iconic Suwannee Dining Hall were completed. This beautiful renovation combines modern dining services with the traditional feel of the historic space.
- The Don Veller Seminole Golf Course redesign is underway. This \$8.5 million project will transform the existing course into a signature Jack Nicklaus 18-hole golf course, complete with new tees, greens, rough, traps, car ways and landscaping, as well as a practice area for FSU golf teams.
- Over the summer, work was completed on the FSU Childcare and Early Learning Program toddler wing, the final piece of construction of the 15,000-square-foot facility. This allows the program to serve up to 133 children within a state-of-the-art building matching the caliber of teachers and the overall program.

By investing strategically in our institution and our reputation, Florida State University continues to achieve our vision to be recognized among the nation's most entrepreneurial and innovative universities. I look forward to the accomplishments of the coming year.



Kyle C. Clark, Vice President  
Florida State University

# UNIVERSITY OVERVIEW

## About FSU

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

## Mission and Vision

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

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







## Academics

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

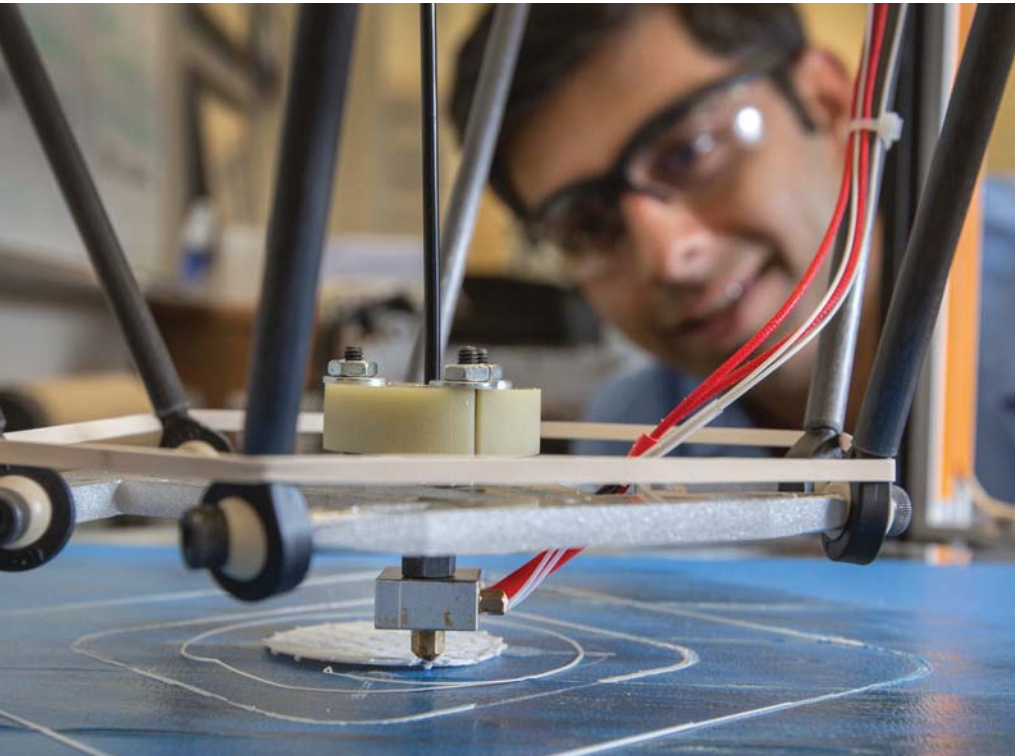
## Students

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

During the Fall 2017 semester, there were 29 freshmen and 80 total undergraduate National Merit Scholars enrolled at Florida State University. The middle 50 percent high school GPA for the Fall 2017 freshman class was 3.9–4.4 and middle 50 percent SAT scores were 1230–1340.

With more than 41,000 students enrolled in Fall 2017, the student body was comprised of 78 percent undergraduates, 19 percent graduates, and 3 percent unclassified. Our student body is diverse and represents every county in Florida, all 50 states, and 130 countries. Minorities represent 33 percent, and women represent 56 percent of our students.

# UNIVERSITY OVERVIEW



## Faculty

At Florida State University, we are fortunate that our faculty comprises men and women who are widely acknowledged as the finest in their fields. They have distinguished themselves in many disciplines and have gained the high regard of peers around the world. Their academic careers are marked by excellence and the excitement of discovery so important to educating the next generation.

Our faculty members continually strive to build stronger programs in critical areas of technology and science and in the arts and humanities. The result is the expansion of knowledge as well as the discovery of new inventions, products, and processes benefiting the state of Florida, our nation, and the world.

## Research

Research and creative activity is about discovery. It is about having an idea and finding the right environment in which to explore that idea. At FSU, we take great pride in our ability to provide supportive environments for the exploration of all types of ideas; and with approximately \$200 million in research expenditures each year, and more than 50 prominent research centers and institutes calling our campuses home, FSU continues to be one of the top idea-incubators in the nation.

Florida State University is also home to the National High Magnetic Field Laboratory (NHMFL), funded by the National Science Foundation. The only national lab in Florida, the NHMFL holds the most world records for the most powerful magnets on earth. Other research centers, such as the Center for Advanced Power Systems (CAPS), are supported by the U.S. Departments of Defense and Energy. The NHMFL and CAPS, among other labs, place Florida State University at the cutting edge of research and its application to industry.



# UNIVERSITY OVERVIEW



## Diversity

At Florida State University, we recognize that every competitive advantage begins with people. By valuing, celebrating, and leveraging the differences and similarities of our students, faculty, and staff, we inspire an environment of innovation and passion—one that enables us to create a teaching, research, and service environment that better reflects the needs of our students, faculty, staff, customers, constituents, communities, and other key stakeholders.

## Veterans

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

## Florida State University in 2017–2018

FSU's rankings and achievements during fiscal year 2017–2018 include:

- Florida State University vaulted seven spots to No. 26 among national public universities in the latest *U.S. News & World Report* rankings—the biggest single-year improvement in University history
- FSU was ranked by *Kiplinger's Personal Finance* as the 4<sup>th</sup> best value among public colleges for out-of-state students, an eight-place jump over last year
- Florida State was recognized for a third consecutive year by *INSIGHT Into Diversity* magazine as a “Diversity Champion” in higher education
- Florida State is one of the nation's top research institutions for producing Fulbright U.S. Scholars and students with a record eight FSU faculty members, and six students earning prestigious Fulbright awards
- The National Science Foundation extended its commitment to continue operating the National High Magnetic Field Laboratory at the University with a five-year, \$184 million award renewal
- For the sixth consecutive year, FSU placed in the top two most efficient universities, according to *U.S. News & World Report*
- The FSU softball team won the College World Series and NCAA National Championship





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Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matter***

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

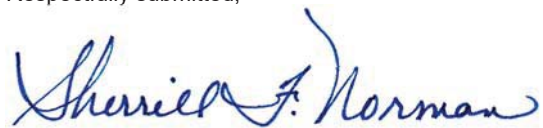
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State University's basic financial statements. The Message from the President, Introduction from the Vice President for Finance and Administration, and University Overview, as listed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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida State University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 31, 2019  
Audit Report No. 2019-114

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018, 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, 2018, and June 30, 2017.

## 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, twelve component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

### 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)

	2018	2017
<b>Assets</b>		
Current Assets	\$ 792,009	\$ 759,057
Capital Assets, Net	1,976,455	1,934,318
Other Noncurrent Assets	146,580	124,133
<b>Total Assets</b>	<b>2,915,044</b>	<b>2,817,508</b>
<b>Deferred Outflows of Resources</b>	<b>143,685</b>	<b>123,927</b>
<b>Liabilities</b>		
Current Liabilities	214,161	178,755
Noncurrent Liabilities	795,897	680,512
<b>Total Liabilities</b>	<b>1,010,058</b>	<b>859,267</b>
<b>Deferred Inflows of Resources</b>	<b>35,309</b>	<b>2,337</b>
<b>Net Position</b>		
Net Investment in Capital Assets	1,722,909	1,668,116
Restricted	328,500	258,112
Unrestricted	(38,047)	153,603
<b>Total Net Position</b>	<b>\$ 2,013,362</b>	<b>\$ 2,079,831</b>

The University's total assets as of June 30, 2018, increased by \$97.5 million, or 3.5 percent. This increase was primarily related to an increase in depreciable capital assets of \$92.9 million, partially offset by a decrease in construction in progress of \$62.2 million as new residence halls were completed and placed in service during the 2017-18 fiscal year; additionally, funds due from the State for capital appropriations were higher by \$23.1 million, investments restricted for capital projects increased by \$21.2 million, and the University acquired land totaling \$13.9 million.

Total liabilities as of June 30, 2018, increased by \$150.8 million, or 17.5 percent. This increase was primarily due to an increase in other postemployment benefits payable of \$106.5 million as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2017-18 fiscal year, as well as an increase in the University's proportionate share of the State's net pension liability of \$24.3 million.

Deferred outflows and deferred inflows of resources increased by \$19.8 million and \$33 million, respectively, related to pensions and other postemployment benefits.

As a result, the University's net position decreased by \$66.5 million, or 3.2 percent, including a reduction to a deficit unrestricted net position. This deficit is discussed further in the notes to financial statements.

## 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)

	2017-18	2016-17
Operating Revenues	\$ 616,078	\$ 598,718
Less, Operating Expenses	(1,248,985)	(1,148,356)
<b>Operating Loss</b>	<b>(632,907)</b>	<b>(549,638)</b>
Net Nonoperating Revenues	634,410	531,546
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,503</b>	<b>(18,092)</b>
Other Revenues, Expenses, Gains, or Losses	48,558	22,830
<b>Net Increase in Net Position</b>	<b>50,061</b>	<b>4,738</b>
Net Position, Beginning of Year	2,079,831	2,075,093
Adjustment to Beginning Net Position	(116,530)	-
<b>Net Position, End of Year</b>	<b>\$ 2,013,362</b>	<b>\$ 2,079,831</b>

Additional information about the University's adjustment to beginning net position is presented in the notes to financial statements.

## 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)

	2017-18	2016-17
Net Tuition and Fees	\$ 230,122	\$ 248,668
Grants and Contracts	198,439	176,880
Sales and Services of Auxiliary Enterprises	183,237	168,882
Other	4,280	4,288
<b>Total Operating Revenues</b>	<b>\$ 616,078</b>	<b>\$ 598,718</b>

The University's total operating revenues were higher by \$17.4 million, or 2.9 percent, over the 2016-17 fiscal year. Net tuition and fees decreased by \$18.5 million due to an increase of \$28.6 million in scholarship allowances resulting from a significant increase in State student financial aid, specifically Bright Futures. The \$21.6 million increase in grants and contracts revenues resulted primarily from a \$17.5 million increase in Federal grants and contracts, and sales and services of auxiliary enterprises increased by \$14.4 million, primarily as a result of opening a new residence hall.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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.

<b>Operating Expenses</b>		
(In Thousands)		
	2017-18	2016-17
Compensation and Employee Benefits	\$ 773,176	\$ 732,050
Services and Supplies	248,774	219,481
Utilities and Communications	36,702	34,092
Scholarships and Fellowships	105,217	83,229
Depreciation	85,116	79,504
<b>Total Operating Expenses</b>	<b>\$ 1,248,985</b>	<b>\$ 1,148,356</b>

Operating expenses increased by \$100.6 million, or 8.8 percent, over the 2016-17 fiscal year. Compensation and employee benefits were higher by \$41.1 million, primarily due to a combination of annual salary increases, a one-time bonus payment, and onboarding of additional preeminent faculty and professional staff. Services and supplies increased by \$29.3 million, with the largest increase resulting from subcontract expenses of \$8 million related to Federal grants and contracts. Scholarships and Fellowships were higher by \$22 million, primarily due to an increase in State Bright Futures scholarships of \$27.2 million, which was partially offset by an increase in the scholarship allowance.

## Nonoperating Revenues and Expenses

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

<b>Nonoperating Revenues (Expenses)</b>		
(In Thousands)		
	2017-18	2016-17
State Noncapital Appropriations	\$ 464,446	\$ 424,808
Federal and State Student Financial Aid	125,973	83,026
Noncapital Grants, Contracts, and Gifts	49,989	46,036
Investment Income, Net of Expenses	12,519	10,606
Net Decrease in the Fair Value of Investments	(3,341)	(14,739)
Other Nonoperating Revenues	5,409	1,203
Loss on Disposal of Capital Assets	(7,709)	(4,111)
Interest on Capital Asset-Related Debt	(8,216)	(8,455)
Other Nonoperating Expenses	(4,660)	(6,828)
<b>Net Nonoperating Revenues</b>	<b>\$ 634,410</b>	<b>\$ 531,546</b>

Net nonoperating revenues increased by \$102.9 million, or 19.4 percent, from the 2016-17 fiscal year. Increases in State noncapital appropriations along with Federal and State student financial aid were the major contributors to the overall increase. State noncapital appropriations were higher by \$39.6 million primarily due to preeminence and performance based funding. Federal and State student financial aid increased by \$42.9 million primarily due to State Bright Futures scholarships which was higher by \$27.2 million.

## 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)

	2017-18	2016-17
State Capital Appropriations	\$ 39,914	\$ 14,034
Capital Grants, Contracts, Donations, and Fees	8,644	8,796
<b>Total</b>	<b>\$ 48,558</b>	<b>\$ 22,830</b>

State capital appropriations increased by \$25.9 million, or 184.4 percent, mainly due to an increase in public education capital outlay funding, the largest portion of which was related to the construction of the Earth, Ocean, and Atmospheric Science Building.

## 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)

	2017-18	2016-17
Cash Provided (Used) by:		
Operating Activities	\$ (518,355)	\$ (429,730)
Noncapital Financing Activities	644,859	521,360
Capital and Related Financing Activities	(125,103)	(123,880)
Investing Activities	4,073	27,049
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,474</b>	<b>(5,201)</b>
Cash and Cash Equivalents, Beginning of Year	13,139	18,340
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 18,613</b>	<b>\$ 13,139</b>

Major sources of funds came from State noncapital appropriations (\$464.4 million), net student tuition and fees (\$228.9 million), grants and contracts (\$197.6 million), sales and services of auxiliary enterprises (\$175.8 million), and Federal and State student financial aid (\$126 million). Major uses of funds were for payments made to and on behalf of employees (\$736.7 million), payments to suppliers (\$293.1 million), payments to and on behalf of students for scholarships (\$105.2 million), and the purchase or construction of capital assets (\$128.4 million).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Capital Assets

At June 30, 2018, the University had \$3.1 billion in capital assets, less accumulated depreciation of \$1.1 billion, for net capital assets of \$2 billion. Depreciation charges for the current fiscal year totaled \$85.1 million.

### Capital Assets, Net at June 30 (In Thousands)

	2018	2017
Land	\$ 94,649	\$ 83,426
Buildings	1,517,335	1,443,660
Infrastructure and Other Improvements	70,018	70,484
Furniture and Equipment	112,668	99,750
Library Resources	34,318	33,326
Property Under Capital Lease	5,785	-
Works of Art and Historical Treasures	75,196	74,972
Construction in Progress	66,486	128,700
<b>Capital Assets, Net</b>	<b>\$ 1,976,455</b>	<b>\$ 1,934,318</b>

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

## Capital Expenses and Commitments

Major capital expenses on the University's largest ongoing projects include the Earth, Ocean, and Atmospheric Science Building and the expansion of the Student Union for \$28.1 million and \$2.6 million, respectively. The University's construction commitments are as follows:

### Major Capital Commitments, at June 30 (In Thousands)

	2018
Total Committed	\$ 254,751
Completed to Date	(66,486)
<b>Balance Committed</b>	<b>\$ 188,265</b>

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

## Debt Administration

As of June 30, 2018, the University had \$249.8 million in outstanding capital improvement debt payable, representing a decrease of \$14.6 million, or 5.5 percent, from the prior fiscal year.

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

	2018	2017
Capital Improvement Debt Payable	\$ 249,786	\$ 264,385
Loans and Notes Payable	-	159
Capital Leases Payable	5,681	-
<b>Total</b>	<b>\$ 255,467</b>	<b>\$ 264,544</b>

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

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## **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

As a public institution, the condition of the State of Florida's economy is the primary factor impacting the University's future. The 2018-19 budget adopted by the Florida Legislature included total recurring General Revenue and Lottery funding for the University of \$442.4 million, which represented an increase from the prior fiscal year of \$27.5 million. The University also received State Capital Appropriations of \$13 million for a new Earth, Ocean, and Atmospheric Science (EOAS) building, \$9.5 million for a new Interdisciplinary Research Commercialization Building, \$8.5 million for a new College of Business Building, \$3.7 million for Student Union renovations, and \$6.9 million for building maintenance and repairs. State funding for the EOAS building and the Student Union now totals \$69.9 million and \$26.7 million, respectively.

Student tuition was unchanged for the fifth consecutive year, as the cost of higher education remains a concern of the State Legislature; however, the State has shown a willingness to aid the University's efforts to elevate FSU's reputation as a preeminent research institution. This shared commitment to increased excellence was evidenced by the inclusion of recurring funding to FSU of \$6.2 million of preeminence money, \$3.3 million for a World Class Faculty and Scholar Program, and \$7.5 million for operational enhancement and support.

In addition to State funding and tuition and fees, the University receives a large share of revenues from other sources such as grants and contracts and auxiliary operations. The National Science Foundation extended its commitment to continue operating the National High Magnetic Field Laboratory at the University with a five-year, \$184 million award renewal. Additionally, the University's ability to fundraise remains strong, as reflected in the successful Raise the Torch Campaign, which ended on June 30, 2018. FSU received \$1.16 billion in gifts and pledges from donors and supporters, exceeding its \$1 billion goal. Given this diversification of resources and the sustained commitment of the Legislature to support Florida State University's initiative to become a top 25 public university, the future for FSU looks extremely positive.

## **REQUESTS FOR INFORMATION**

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

# STATEMENT OF NET POSITION

AS OF JUNE 30, 2018 (in thousands)

	<u>UNIVERSITY</u>	<u>COMPONENT UNITS</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 16,427	\$ 33,507
Investments	600,254	164,318
Accounts Receivable, Net	57,421	89,785
Loans and Notes Receivable, Net	965	11
Due from State	85,296	-
Due from Component Units/University	3,985	35,390
Inventories	2,223	155
Other Current Assets	25,438	6,976
<b>Total Current Assets</b>	<b><u>792,009</u></b>	<b><u>330,142</u></b>
<b>Noncurrent Assets:</b>		
Restricted Cash and Cash Equivalents	2,186	12,769
Restricted Investments	132,363	664,489
Loans and Notes Receivable, Net	7,696	32,397
Depreciable Capital Assets, Net	1,740,124	222,151
Nondepreciable Capital Assets	236,331	53,250
Other Noncurrent Assets	4,335	108,506
<b>Total Noncurrent Assets</b>	<b><u>2,123,035</u></b>	<b><u>1,093,562</u></b>
<b>TOTAL ASSETS</b>	<b><u>2,915,044</u></b>	<b><u>1,423,704</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	138,506	-
Related to Other Postemployment Benefits	5,179	-
Loss on Debt Refunding	-	2,059
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 16,198	\$ 12,493
Construction Contracts Payable	13,270	-
Salaries and Wages Payable	33,124	-
Deposits Payable	12,647	27
Due to Component Units/University	28,044	18,345
Unearned Revenue	77,497	25,119
Other Current Liabilities	1,233	5,404
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	15,156	-
Bonds Payable	-	6,124
Loans and Notes Payable	-	430
Capital Leases Payable	656	-
Accrued Self-Insurance Claims	147	-
Compensated Absences Payable	4,998	-
Other Postemployment Benefits Payable	5,098	-
Revenue Received in Advance	2,634	26,429
Net Pension Liability	1,965	-
Other Noncurrent Liabilities	1,494	-
<b>Total Current Liabilities</b>	<b><u>214,161</u></b>	<b><u>94,371</u></b>



# STATEMENT OF NET POSITION

AS OF JUNE 30, 2018 (in thousands)

	<u>UNIVERSITY</u>	<u>COMPONENT UNITS</u>
<b>Noncurrent Liabilities:</b>		
Capital Improvement Debt Payable	234,630	-
Bonds Payable	-	158,412
Loans and Notes Payable	-	50,085
Capital Leases Payable	5,025	-
Accrued Self-Insurance Claims	369	-
Compensated Absences Payable	70,536	1,217
Other Postemployment Benefits Payable	173,288	-
Revenue Received in Advance	20,977	26,756
Net Pension Liability	280,368	-
Other Noncurrent Liabilities	10,704	8,730
<b>Total Noncurrent Liabilities</b>	<b>795,897</b>	<b>245,200</b>
<b>TOTAL LIABILITIES</b>	<b>1,010,058</b>	<b>339,571</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	13,397	-
Related to Other Postemployment Benefits	21,912	-
 <b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 1,722,909	\$ 74,416
Restricted for Nonexpendable, Endowment	-	496,951
Restricted for Expendable:		
Debt Service	3,726	6,873
Loans	3,728	-
Capital Projects	132,144	40,499
Other	188,902	8,184
Endowment	-	283,069
Unrestricted	(38,047)	176,200
<b>TOTAL NET POSITION</b>	<b>\$ 2,013,362</b>	<b>\$ 1,086,192</b>

*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, 2018 (in thousands)

	UNIVERSITY	COMPONENT UNITS
<b>OPERATING REVENUES</b>		
Student Tuition and Fees, Net of Scholarship Allowances of \$160,811	\$ 230,122	\$ -
Federal Grants and Contracts	160,098	-
State and Local Grants and Contracts	25,299	-
Nongovernmental Grants and Contracts	13,042	-
Sales and Services of Auxiliary Enterprises	183,237	-
Sales and Services of Component Units	-	30,942
Royalties and Licensing Fees	-	14,304
Gifts and Donations	-	91,908
Interest on Loans and Notes Receivable	254	-
Other Operating Revenues	4,026	23,502
<b>Total Operating Revenues</b>	<b>616,078</b>	<b>160,656</b>
<b>OPERATING EXPENSES</b>		
Compensation and Employee Benefits	773,176	29,931
Services and Supplies	248,774	136,618
Utilities and Communications	36,702	227
Scholarships and Fellowships	105,217	-
Depreciation	85,116	10,039
<b>Total Operating Expenses</b>	<b>1,248,985</b>	<b>176,815</b>
<b>OPERATING LOSS</b>	<b>(632,907)</b>	<b>(16,159)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	464,446	-
Federal and State Student Financial Aid	125,973	-
Noncapital Grants, Contracts, and Gifts	49,989	-
Investment Income, Net of Expenses	12,519	17,211
Net Increase (Decrease) in the Fair Value of Investments	(3,341)	40,200
Other Nonoperating Revenues	5,409	7,029
Gain (Loss) on Disposal of Capital Assets	(7,709)	2,545
Interest on Capital Asset-Related Debt	(8,216)	(6,146)
Other Nonoperating Expenses	(4,660)	(5,008)
<b>NET NONOPERATING REVENUES</b>	<b>634,410</b>	<b>55,831</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,503</b>	<b>39,672</b>
State Capital Appropriations	39,914	-
Capital Grants, Contracts, Donations, and Fees	8,644	15,756
Additions to Permanent Endowments	-	11,668
<b>Increase in Net Position</b>	<b>50,061</b>	<b>67,096</b>
Net Position, Beginning of Year	2,079,831	1,019,096
Adjustments to Net Position, Beginning of Year	(116,530)	-
Net Position, Beginning of Year (As Restated)	1,963,301	1,019,096
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,013,362</b>	<b>\$ 1,086,192</b>

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

# STATEMENT OF CASH FLOWS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (in thousands)

	<u>UNIVERSITY</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 228,941
Grants and Contracts	197,602
Sales and Services of Auxiliary Enterprises	175,796
Interest on Loans and Notes Receivable	254
Other Operating Receipts	12,824
Payments to Employees	(736,694)
Payments to Suppliers for Goods and Services	(293,079)
Payments to Students for Scholarships and Fellowships	(105,217)
Payments on Self-Insurance Claims	(7)
Loans issued to Students	(676)
Collections on Loans to Students	1,901
<b>Net Cash Used by Operating Activities</b>	<u><b>(518,355)</b></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	464,446
Noncapital Grants, Contracts and Gifts	52,167
Federal and State Student Financial Aid	125,973
Federal Direct Loan Program Receipts	166,710
Federal Direct Loan Program Disbursements	(166,688)
Net Change in Funds Held for Others	(88)
Other Nonoperating Receipts	5,353
Other Nonoperating Disbursements	(3,014)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u><b>644,859</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	28,103
Capital Grants, Contracts, Donations, and Fees	3,247
Capital Subsidies and Transfers	(3,575)
Purchase or Construction of Capital Assets	(128,357)
Principal Paid on Capital Debt	(13,835)
Interest Paid on Capital Debt	(10,686)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u><b>(125,103)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	906,251
Purchase of Investments	(914,622)
Investment Income	12,444
<b>Net Cash Provided by Investing Activities</b>	<u><b>4,073</b></u>
Net Increase in Cash and Cash Equivalents	5,474
Cash and Cash Equivalents, Beginning of Year	13,139
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 18,613</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
<b>Operating Loss</b>	\$ (632,907)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>	
Depreciation Expense	85,116
<b>Change in Assets and Liabilities:</b>	
Loans and Notes Receivable, Net	1,352
Other Receivables, Net	(9,574)
Inventories	158
Deferred Charges and Other Assets	(8,644)
Accounts Payable	756
Salaries and Wages Payable	6,168
Accrued Insurance Claims	(7)
Deposits Payable	12
Compensated Absences Payable	2,771
Other Postemployment Benefits Payable	(14,947)
Unearned Revenue	8,901
Pension Liability	24,323
Pension Deferred Outflows	(14,579)
Pension Deferred Inflows	11,059
Other Postemployment Benefits Deferred Outflows	(225)
Other Postemployment Benefits Deferred Inflows	21,912
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><b>\$ (518,355)</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES</b>	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (3,341)
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.	\$ (7,709)

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

# NOTES TO FINANCIAL STATEMENTS

## 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.

The Florida State University College of Medicine Self-Insurance Program (SIP) was created on July 1, 2006, by the Board of Governors, pursuant to Section 1004.24, Florida Statutes, and provides 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. During the 2017-18 fiscal year, University management determined that the SIP does not qualify to be reported as a blended component unit. For the 2017-18 fiscal year, the SIP's financial activities have been reported as part of the University.

### Discretely Presented Component Units

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

These organizations and their purposes are explained as follows:

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

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

An annual audit of each operational organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the University's discretely presented component units are disclosed 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, 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 discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting except for the Foundation, Real Estate Foundation, Ringling Museum Foundation, and Student Investment Fund, which follow FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

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

## NOTES TO FINANCIAL STATEMENTS

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depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

### Cash and Cash Equivalents

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

### Investments and Fair Value Measurement

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

### Capital Assets

University capital assets consist of land; works of art and historical treasures; construction in progress; buildings; infrastructure and other improvements; furniture and equipment; library resources; property under capital lease; and computer software. 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, \$100,000 for building improvements, and \$4,000,000 for intangible assets.

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

- ◆ Buildings, Infrastructure and Other Improvements – 10 to 50 years
- ◆ Furniture and Equipment – 3 to 20 years
- ◆ Library Resources - 10 years
- ◆ Property Under Capital Lease – 3 to 20 years
- ◆ Computer Software – 5 years

### Noncurrent Liabilities

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

### Pensions

For the purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and HIS plans. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statements for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

## 3. ADJUSTMENT TO BEGINNING NET POSITION

The beginning net position of the University was decreased by \$116,530,000 due to implementation of GASB Statement No. 75. As a result of the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, the University's total OPEB liability increased by \$121,484,000, deferred outflows of resources increased to \$4,954,000, and deferred inflows of resources remained unchanged as of July 1, 2017.

## 4. DEFICIT NET POSITION

The University had a deficit unrestricted net position of \$38 million at June 30, 2018. As shown in the following schedule, this deficit can be attributed primarily to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the unrestricted fund.

Description	Amount
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 389,830,681
Amount Expected to be Financed in Future Years:	
Compensated Absences Payable	75,534,165
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	195,119,000
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	157,224,524
Total Amount Expected to be Financed in Future Years	(427,877,689)
Total Unrestricted Net Position	\$ (38,047,008)

## 5. 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.

## NOTES TO FINANCIAL STATEMENTS

The University's investments at June 30, 2018, are reported as follows:

Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 715,103,694	\$ -	\$ -	\$ 715,103,694
State Board of Administration Debt Service Accounts	3,608,772	3,608,772	-	-
Mutual Funds:				
Bonds	5,824,950	5,824,950	-	-
Equities	2,460,091	2,460,091	-	-
Other Investments	5,619,670	-	-	5,619,670
<b>Total Investments by Fair Value Level</b>	<b>\$ 732,617,177</b>	<b>\$ 11,893,813</b>	<b>\$ -</b>	<b>\$ 720,723,364</b>

Investments held by the University's component units at June 30, 2018, are reported as follows:

Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
Domestic Bonds and Notes	\$ 21,796,428	\$ 1,027,873	\$ 20,731,483	\$ 37,072
International Bonds and Notes	8,979,167	25,617	8,953,550	-
Domestic Stocks	58,970,147	58,280,109	689,798	240
International Stocks	22,630,180	4,750,141	17,811,172	68,867
Mutual Funds	78,248,419	78,248,419	-	-
Real Estate Investments	17,037,634	7,938	-	17,029,696
Other Investments	1,047,215	1,047,215	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 208,709,190</b>	<b>\$ 143,387,312</b>	<b>\$ 48,186,003</b>	<b>\$ 17,135,875</b>

### Investments Measured at the Net Asset Value (NAV)

Domestic Bonds and Notes	55,794,558
Domestic Stocks	110,791,394
International Stocks	167,539,525
Real Estate Investments	14,709,881
Hedge Funds	117,959,047
Private Equity Funds	61,199,043
Private Real Estate Funds	30,587,433
<b>Total Investments Measured at NAV</b>	<b>558,580,881</b>

### Other

SBA Florida PRIME	40,796,465
Money Market Funds	20,051,459
Other Investments	668,971
<b>Total Other Investments</b>	<b>61,516,895</b>
<b>Total Investments</b>	<b>\$ 828,806,966</b>



The University's component units' investments measured at the net asset value (NAV), as of June 30, 2018, totaled \$558,580,881 as follows:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Bonds and Notes	\$ 55,794,558	\$ -	Daily	2 days
Domestic Stocks	110,791,394	-	Daily to semi-annually	2 - 60 days
International Stocks	167,539,525	-	Daily to semi-annually	2 - 60 days
Real Estate Investments	14,709,881	-	Daily	2 days
Hedge Funds	117,959,047	-	Monthly to every 3 years	10 - 90 days
Private Equity Funds	61,199,043	69,102,386		
Private Real Estate Funds	30,587,433	23,023,302		
<b>Total Investments Measured at NAV</b>	<b>\$ 558,580,881</b>	<b>\$ 92,125,688</b>		

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

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

## External Investment Pools

The University reported investments at fair value totaling \$715,103,694 at June 30, 2018, 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 3.0 years, and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participants' total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The Research Foundation reported investments at fair value totaling \$40,796,465 at June 30, 2018, 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, 2018, 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 30 days as of June 30, 2018. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

## State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$3,608,772 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

## Other Investments

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

## NOTES TO FINANCIAL STATEMENTS

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

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

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University has investments in bond mutual funds that are subject to interest rate risk. Additionally, investments of the University's discretely presented component units (excluding those reporting under FASB standards) in debt securities, bonds and notes, and bond mutual funds are also subject to interest rate risk. These investments and their future maturities at June 30, 2018, are as follows:

	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-10	Greater Than 10
University	\$ 5,824,950	\$ 4,662,607	\$ 1,162,343	\$ -
Discretely Presented Component Units	\$ 50,733,846	\$ 21,582,969	\$ 24,522,191	\$ 4,628,686

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. The University and the University's discretely presented component units (excluding those reporting under FASB standards) held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies at June 30, 2018, as follows:

	Fair Value	AAA	AA/Aa	A/Ba	Less Than A/Ba or Not Rated
University	\$ 5,824,950	\$ -	\$ 4,662,607	\$ 1,162,343	\$ -
Discretely Presented Component Units	\$ 50,733,846	\$ 4,649,717	\$ 4,574,004	\$ 8,070,990	\$ 33,439,135

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit's name. Neither the University nor its discretely presented component units have identified any investments falling into this category as of June 30, 2018.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The University's discretely presented component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the discretely presented component units.

## 6. 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, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 15,863,716
Grants and Contracts	17,537,236
Sales and Services of Auxiliary Enterprises	24,504,840
Interest	1,106,593
Other	465,409
<b>Total Accounts Receivable</b>	<b>\$ 59,477,794</b>

### 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 \$10,929,850 at June 30, 2018.

### 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 \$2,056,804 and \$2,268,620, respectively, at June 30, 2018. No allowance has been accrued for grants and contracts receivable as University management considers these to be fully collectible.

## 7. DUE FROM STATE

This amount consists of \$53,122,337 of Public Education Capital Outlay, \$15,196,227 of General Revenue, and \$16,977,761 of Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of facilities.

## 8. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2018. 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.

## 9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 83,425,498	\$ 13,882,082	\$ 2,658,800	\$ 94,648,780
Works of Art and Historical Treasures	74,972,344	229,652	5,595	75,196,401
Construction in Progress	128,700,005	102,535,560	164,749,560	66,486,005
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 287,097,847</b>	<b>\$ 116,647,294</b>	<b>\$ 167,413,955</b>	<b>\$ 236,331,186</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 1,993,599,725	\$ 131,744,238	\$ 11,645,067	\$ 2,113,698,896
Infrastructure and Other Improvements	142,863,778	3,379,886	-	146,243,664
Furniture and Equipment	333,843,823	51,951,893	28,267,719	357,527,997
Library Resources	150,828,550	8,421,544	2,034,402	157,215,692
Property Under Capital Lease	-	5,994,250	70,295	5,923,955
Computer Software	55,416,682	107,865	6,350,055	49,174,492
<b>Total Depreciable Capital Assets</b>	<b>2,676,552,558</b>	<b>201,599,676</b>	<b>48,367,538</b>	<b>2,829,784,696</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	549,939,380	47,538,364	1,113,782	596,363,962
Infrastructure and Other Improvements	72,379,415	3,846,537	-	76,225,952
Furniture and Equipment	240,634,167	21,461,679	16,833,151	245,262,695
Library Resources	117,502,123	7,429,914	2,034,402	122,897,635
Property Under Capital Lease	-	138,876	-	138,876
Computer Software	48,876,974	4,700,732	4,805,997	48,771,709
<b>Total Accumulated Depreciation</b>	<b>1,029,332,059</b>	<b>85,116,102</b>	<b>24,787,332</b>	<b>1,089,660,829</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 1,647,220,499</b>	<b>\$ 116,483,574</b>	<b>\$ 23,580,206</b>	<b>\$ 1,740,123,867</b>

## 10. UNEARNED REVENUE

Unearned revenue includes capital appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2018, to spend the funds, as well as grants and contracts, auxiliary sales and services, and other revenues received prior to fiscal year end related to the subsequent accounting period.

As of June 30, 2018, the University reported the following amounts as unearned revenue:

Description	Amount
State Capital Appropriations	\$ 57,357,978
Grants and Contracts	2,729,237
Sales and Services of Auxiliary Enterprises	17,354,434
Other	55,502
<b>Total Unearned Revenue</b>	<b>\$ 77,497,151</b>

## 11. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2018, include capital improvement debt payable, loans and notes payable, capital leases payable, accrued self-insurance claims, compensated absences payable, other postemployment benefits payable, revenue received in advance, net pension liability, and other noncurrent liabilities.

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 264,385,703	\$ -	\$ 14,599,474	\$ 249,786,229	\$ 15,156,473
Loans and Notes Payable	159,213	-	159,213	-	-
Capital Leases Payable	-	6,081,315	400,688	5,680,627	655,759
Accrued Self-Insurance Claims	523,806	24,157	31,552	516,411	147,154
Compensated Absences Payable	72,768,655	7,492,766	4,727,256	75,534,165	4,998,024
Other Postemployment Benefits Payable	71,849,000	136,645,000	30,108,000	178,386,000	5,098,000
Revenue Received in Advance	17,210,658	8,129,729	1,730,232	23,610,155	2,633,536
Net Pension Liability	258,010,565	143,668,649	119,345,691	282,333,523	1,965,422
Other Noncurrent Liabilities	19,397,808	43,683	7,243,545	12,197,946	1,494,389
<b>Total Long-Term Liabilities</b>	<b>\$ 704,305,408</b>	<b>\$ 302,085,299</b>	<b>\$ 178,345,651</b>	<b>\$ 828,045,056</b>	<b>\$ 32,148,757</b>

### Capital Improvement Debt Payable

The University had the following capital improvement debt payable outstanding at June 30, 2018:

Capital Improvement Debt Type and Series	Amount of Original Issue	Principal Amount Outstanding	Unamortized Amount Outstanding (1)	Net Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Debt:						
2010A Housing	\$ 18,910,000	\$ 15,780,000	\$ (106,537)	\$ 15,673,463	3.125 - 4.75	2040
2011A Housing	27,745,000	20,585,000	(267,583)	20,317,417	3.0 - 4.125	2031
2013A Housing	42,495,000	37,675,000	2,257,008	39,932,008	4.0 - 5.0	2033
2014A Housing	46,085,000	38,460,000	5,707,580	44,167,580	3.25 - 5.0	2031
2015A Housing	59,575,000	56,460,000	4,607,637	61,067,637	3.0 - 5.0	2035
<b>Total Student Housing Debt</b>	<b>194,810,000</b>	<b>168,960,000</b>	<b>12,198,105</b>	<b>181,158,105</b>		
2011A Parking	22,145,000	13,890,000	(50,324)	13,839,676	4.0 - 5.25	2031
2014A Parking	13,485,000	9,050,000	1,497,107	10,547,107	5.0	2025
2017A Parking	7,857,000	7,058,000	(57,922)	7,000,078	2.12	2026
<b>Total Student Parking Debt</b>	<b>43,487,000</b>	<b>29,998,000</b>	<b>1,388,861</b>	<b>31,386,861</b>		
2005A Dining	10,000,000	4,725,000	-	4,725,000	2.29	2025
2010A Wellness Center	31,320,000	21,860,000	745,620	22,605,620	4.0 - 5.0	2030
<b>Total Auxiliary Debt</b>	<b>279,617,000</b>	<b>225,543,000</b>	<b>14,332,586</b>	<b>239,875,586</b>		
2012 Research Foundation Revenue Debt	11,920,000	9,055,000	855,643	9,910,643	3.0 - 4.0	2031
<b>Total Capital Improvement Debt</b>	<b>\$ 291,537,000</b>	<b>\$ 234,598,000</b>	<b>\$ 15,188,229</b>	<b>\$ 249,786,229</b>		

(1) Unamortized amounts include bond discounts, premiums, and/or gains/losses on bond refundings.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$279.6 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$307.2 million and principal and interest paid for the current year totaled \$23.1 million.

Revenue Pledged	Amount
Housing Rental Income	\$48,518,893
Traffic, Parking and Transportation Fees	12,092,786
Food Service Revenues	2,427,343
Student Health Fees	15,026,217

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 13,991,000	\$ 9,971,810	\$ 23,962,810
2020	14,616,000	9,385,839	24,001,839
2021	15,241,000	8,764,764	24,005,764
2022	15,934,000	8,098,089	24,032,089
2023	15,885,000	7,395,210	23,280,210
2024-2028	74,176,000	26,725,491	100,901,491
2029-2033	65,035,000	11,523,175	76,558,175
2034-2038	17,570,000	1,886,106	19,456,106
2039-2040	2,150,000	154,376	2,304,376
<b>Subtotal</b>	<b>234,598,000</b>	<b>83,904,860</b>	<b>318,502,860</b>
Plus: Unamortized Premiums and Discounts, Net	15,188,229	-	15,188,229
<b>Total</b>	<b>\$ 249,786,229</b>	<b>\$ 83,904,860</b>	<b>\$ 333,691,089</b>

### Capital Leases Payable

The University has entered into a capital lease agreement for energy equipment in the amount of \$5,853,679 with a stated interest rate of 1.8 percent. Additionally, the University has numerous capital leases for various copier equipment with imputed interest rates ranging from 3.26 percent to 7.09 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	\$ 774,074
2020	722,163
2021	655,364
2022	655,364
2023	655,364
2024-2028	2,740,656
Total Minimum Payments	6,202,985
Less, Amount Representing Interest	522,358
<b>Present Value of Minimum Payments</b>	<b>\$ 5,680,627</b>

### 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, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$75,534,165. The current portion of the compensated absences liability, \$4,998,024, 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

As a participating employer in the State Employees' Group Health Insurance Plan, the University recognizes its proportionate share of the collective other postemployment benefits liability of the multiple-employer defined benefit health plan. As of June 30, 2018, the University's proportionate share of the total OPEB liability totaled \$178,386,000.

### Revenue Received in Advance

Long-term revenue received in advance represents funds received but not yet earned under the terms and conditions of a dining contract. Total long-term revenue received in advance at June 30, 2018, amounted to \$23,610,155, with \$2,633,536 expected to be earned during the 2018-19 fiscal year.

### 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 cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the University's proportionate share of the net pension liabilities totaled \$282,333,523.

### Other Noncurrent Liabilities

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.

## 12. OTHER POSTEMPLOYMENT BENEFITS

### General Information about Other Postemployment Benefits

The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the Florida Department of Management Services, Division of State Group Insurance.

### Other Postemployment Benefits Plan

*Plan Description* – The State Employees' Group Health Insurance Plan for other postemployment benefits is a multiple-employer defined benefit health plan (OPEB Plan). Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the OPEB Plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

*Benefits Provided* – The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

## Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of \$178.4 million was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. At June 30, 2018, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.65 percent, which was an increase of 0.01 from its proportionate share measured as of June 30, 2017.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- ◆ Inflation 2.60 percent
- ◆ Salary Increases Varies by FRS class
- ◆ Discount Rate 3.58 percent

Healthcare cost trend rates for the Preferred Provider Option (PPO) Plan and Health Maintenance Organization (HMO) Plan, respectively, are 7.8 and 5.2 percent for the 2017-18 fiscal year, increasing to a maximum rate of 10.6 and 8.0 percent in the 2021-22 fiscal year, and gradually decreasing to 3.8 percent, for both Plans, after the 2074-75 fiscal year.

Retiree premium trend rates for both the PPO and HMO plans are 6.5 percent for the 2017-18 fiscal year, increasing to a maximum of 9.3 percent for 2021-22 fiscal year, and gradually decreasing to 3.8 percent after the 2074-75 fiscal year.

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2017, valuation were based on a review of recent plan experience done concurrently with the July 1, 2017, valuation.

The following changes have been made since the prior valuation:

- ◆ The census data reflects changes in status for the 24-month period since July 1, 2015.
- ◆ The annual per capita claim costs have been updated to reflect current age-adjusted premiums.
- ◆ The premium rates have been updated to use the rates effective for 2017.
- ◆ Health care inflation rates have been updated to reflect the recent Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.
- ◆ The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption in either of the two most recent FRS valuations. The rates are those outlined in Milliman's July 1, 2016, FRS valuation report.
- ◆ The discount rate as of the measurement date for GASB 75 purposes is 3.58 percent. The prior GASB 45 valuation used 4.00 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

*Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate* – The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the total OPEB liability	\$ 212,463,000	\$ 178,386,000	\$ 151,619,000

*Sensitivity to the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	\$ 150,030,000	\$ 178,386,000	\$ 215,487,000

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of \$11,919,000. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions or other inputs	-	25,213,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	-	(3,301,000)
Transactions subsequent to the measurement date	5,179,000	-
<b>Total</b>	<b>\$ 5,179,000</b>	<b>\$ 21,912,000</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$5,179,000 resulting from transactions (e.g. benefit payments) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	\$ (3,129,930)
2020	(3,129,930)
2021	(3,129,930)
2022	(3,129,930)
2023	(3,129,930)
Thereafter	(6,262,350)
<b>Total</b>	<b>\$ (21,912,000)</b>

**13. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS**

**General Information about the Florida Retirement System**

The Florida Retirement System was created in Chapter 121, Florida Statutes, in order 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 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. 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.

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

The University’s pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled \$45,616,552 for the 2017-18 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 creditable 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 creditable 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 creditable 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.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

*Contributions* - The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (1)
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Senior Management Service	3.00	22.71
Florida Retirement System, Special Risk	3.00	23.27
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	13.26
Florida Retirement System, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$21,301,230 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the University reported a liability of \$212,443,411 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportion was 0.72 percent, which was equal to its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of \$39,942,411. 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	\$	19,497,193	\$	1,176,827
Changes of Assumptions		71,395,985		-
Net difference between projected and actual earnings on pension plan investments		-		5,264,879
Changes in proportion and differences between University contributions and proportionate share of contributions		11,318,777		386,776
University contributions subsequent to the measurement date		21,301,230		-
<b>Total</b>	<b>\$</b>	<b>123,513,185</b>	<b>\$</b>	<b>6,828,482</b>

The deferred outflows of resources totaling \$21,301,230, 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, 2019. 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
2019	\$ 15,581,700
2020	33,857,177
2021	22,228,263
2022	4,287,583
2023	14,125,530
Thereafter	5,303,220
<b>Total</b>	<b>\$ 95,383,473</b>

*Actuarial Assumptions* - The total pension liability in the July 1, 2017, 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 7.10 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (Property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
<b>Total</b>	<b>100.0%</b>			
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 7.10 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. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

*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 7.10 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 (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	\$ 384,509,743	\$ 212,443,411	\$ 69,588,933

*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, 2018, 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, 2018, the contribution

## NOTES TO FINANCIAL STATEMENTS

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 \$3,511,821 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the University reported a liability of \$69,890,112 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportion was 0.65 percent, which was a decrease of 0.01 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of \$5,674,141. In addition, the University reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 145,522
Changes of Assumptions	9,824,147	6,043,472
Net difference between projected and actual earnings on HIS Plan investments	38,759	-
Changes in proportion and differences between University contributions and proportionate share of contributions	1,617,871	379,308
University contributions subsequent to the measurement date	3,511,821	-
<b>Total</b>	<b>\$ 14,992,598</b>	<b>\$ 6,568,302</b>

The deferred outflows of resources totaling \$3,511,821 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, 2019. 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
2019	\$ 1,503,512
2020	1,496,178
2021	1,492,657
2022	1,046,321
2023	365,070
Thereafter	(991,263)
<b>Total</b>	<b>\$ 4,912,475</b>

*Actuarial Assumptions* - The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- ♦ Inflation 2.60 percent
- ♦ Salary Increases 3.25 percent, average, including inflation
- ♦ Municipal Bond Rate 3.58 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 3.58 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 in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

*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 3.58 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 (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the net pension liability	\$ 79,753,873	\$ 69,890,112	\$ 61,674,144

*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.

## 14. RETIREMENT PLANS – DEFINED CONTRIBUTION PENSION PLANS

### FRS Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 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, 2018, 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 roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's contributions to the Investment Plan totaled \$3,431,635 and employee contributions totaled \$1,254,710 for the 2017-18 fiscal year.

### State University System Optional Retirement Program

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

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The ORP is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the ORP, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the ORP totaled \$20,836,566 and employee contributions totaled \$12,300,798 for the 2017-18 fiscal year.

## 15. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Committed Balance
Earth, Ocean, and Atmospheric Science Building	\$ 77,340,737	\$ 28,136,052	\$ 49,204,685
Student Union Expansion	23,033,071	2,645,989	20,387,082
Hoffman Teaching Lab Renovations	13,200,000	323,563	12,876,437
Legacy Hall, College of Business	9,000,000	361,802	8,638,198
Technology Services Building Renovations	7,731,594	517,702	7,213,892
Interdisciplinary Research Commercialization Building	10,819,352	3,684,233	7,135,119
Other (1)	113,626,480	30,816,664	82,809,816
<b>Total</b>	<b>\$ 254,751,234</b>	<b>\$ 66,486,005</b>	<b>\$ 188,265,229</b>

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

## 16. 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 2017-18 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 \$92.5 million for named windstorm and flood losses through February 14, 2018, and decreased to \$78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 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 2017-18 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
2016-17	\$ 580,269	\$ (55,999)	\$ (464)	\$ 523,806
2017-18	523,806	(6,999)	(396)	516,411

## 17. 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	\$ 379,371,458
Research	162,662,402
Public Service	38,438,676
Academic Support	111,588,235
Student Services	58,788,346
Institutional Support	67,808,414
Operation and Maintenance of Plant	134,865,247
Scholarships and Fellowships	105,216,834
Depreciation	85,116,102
Auxiliary Enterprises	105,130,053
<b>Total Operating Expenses</b>	<b>\$ 1,248,985,767</b>

**18. 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**

	<u>Parking Facility</u>	<u>Housing Facility</u>
<b>Assets</b>		
Current Assets	\$ 5,163,930	\$ 60,381,828
Capital Assets, Net	69,472,930	288,980,942
Other Noncurrent Assets	2,728,158	16,643,493
<b>Total Assets</b>	<b>77,365,018</b>	<b>366,006,263</b>
<b>Liabilities</b>		
Current Liabilities	3,953,722	15,865,238
Noncurrent Liabilities	27,792,755	173,161,906
<b>Total Liabilities</b>	<b>31,746,477</b>	<b>189,027,144</b>
<b>Net Position</b>		
Net Investment in Capital Assets	38,086,070	107,822,836
Restricted - Expendable	2,732,496	14,812,358
Unrestricted	4,799,975	54,343,925
<b>Total Net Position</b>	<b>\$ 45,618,541</b>	<b>\$ 176,979,119</b>

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

Operating Revenues	\$ 12,092,786	\$ 48,518,893
Depreciation Expense	(1,981,916)	(7,469,673)
Other Operating Expenses	(6,638,208)	(24,694,727)
Operating Income	3,472,662	16,354,493
Net Nonoperating Expenses	(1,036,045)	(3,455,791)
Income Before Other Revenues, Expenses, Gains, or Losses	2,436,617	12,898,702
Other Revenues, Expenses, Gains, or Losses	(121,568)	(4,897,981)
Increase in Net Position	2,315,049	8,000,721
Net Position, Beginning of Year	43,303,492	168,978,398
<b>Net Position, End of Year</b>	<b>\$ 45,618,541</b>	<b>\$ 176,979,119</b>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by:		
Operating Activities	\$ 5,678,707	\$ 23,672,981
Noncapital Financing Activities	(286,183)	(4,891,757)
Capital and Related Financing Activities	(4,737,860)	(20,334,311)
Investing Activities	(664,480)	1,543,173
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(9,816)</b>	<b>(9,914)</b>
Cash and Cash Equivalents, Beginning of Year	48,216	185,334
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 38,400</b>	<b>\$ 175,420</b>



## 19. DISCRETELY PRESENTED COMPONENT UNITS

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

	Foundation 6/30/2018	Boosters 6/30/2018	Research Foundation 6/30/2018	International Programs Association 9/30/2017	Florida State University Schools 6/30/2018	Other Component Units 6/30/2018	Total
<b>Condensed Statement of Net Position</b>							
<b>Assets:</b>							
Current Assets	\$ 80,321,150	\$ 36,924,061	\$ 148,621,354	\$ 18,231,476	\$ 22,329,064	\$ 23,714,776	\$ 330,141,881
Capital Assets, Net	5,820,249	213,354,005	15,066,611	20,180,817	20,311,725	667,452	275,400,859
Other Noncurrent Assets	656,737,775	148,866,096	5,416,996	305,912	-	6,833,882	818,160,661
<b>Total Assets</b>	<b>742,879,174</b>	<b>399,144,162</b>	<b>169,104,961</b>	<b>38,718,205</b>	<b>42,640,789</b>	<b>31,216,110</b>	<b>1,423,703,401</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>2,059,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,059,402</b>
<b>Liabilities:</b>							
Current Liabilities	17,948,808	37,571,715	19,553,523	2,557,176	8,767,960	7,971,807	94,370,989
Noncurrent Liabilities	10,396,760	211,992,767	9,583,743	356,805	11,755,143	1,114,752	245,199,970
<b>Total Liabilities</b>	<b>28,345,568</b>	<b>249,564,482</b>	<b>29,137,266</b>	<b>2,913,981</b>	<b>20,523,103</b>	<b>9,086,559</b>	<b>339,570,959</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	5,820,249	34,107,815	4,932,868	20,180,817	8,707,524	666,648	74,415,921
Restricted	706,374,962	120,462,640	-	-	5,974,899	2,763,452	835,575,953
Unrestricted	2,338,395	(2,931,373)	135,034,827	15,623,407	7,435,263	18,699,451	176,199,970
<b>Total Net Position</b>	<b>\$ 714,533,606</b>	<b>\$ 151,639,082</b>	<b>\$ 139,967,695</b>	<b>\$ 35,804,224</b>	<b>\$ 22,117,686</b>	<b>\$ 22,129,551</b>	<b>\$ 1,086,191,844</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>							
Operating Revenues	\$ 39,210,027	\$ 45,271,094	\$ 15,576,217	\$ 19,450,669	\$ 15,620,773	\$ 25,527,699	\$ 160,656,479
Operating Expenses	58,437,753	56,319,534	13,832,067	14,168,185	15,346,005	18,712,154	176,815,698
Operating Income (Loss)	(19,227,726)	(11,048,440)	1,744,150	5,282,484	274,768	6,815,545	(16,159,219)
Net Nonoperating Revenues (Expenses)	44,575,714	(514,130)	9,783,089	845,319	(320,964)	1,462,357	55,831,385
Other Revenues, Expenses, Gains, and Losses	10,109,453	17,110,198	-	-	204,160	-	27,423,811
<b>Increase in Net Position</b>	<b>35,457,441</b>	<b>5,547,628</b>	<b>11,527,239</b>	<b>6,127,803</b>	<b>157,964</b>	<b>8,277,902</b>	<b>67,095,977</b>
Net Position, Beginning of Year	679,076,165	146,091,454	128,440,456	29,676,421	21,959,722	13,851,649	1,019,095,867
<b>Net Position, End of Year</b>	<b>\$ 714,533,606</b>	<b>\$ 151,639,082</b>	<b>\$ 139,967,695</b>	<b>\$ 35,804,224</b>	<b>\$ 22,117,686</b>	<b>\$ 22,129,551</b>	<b>\$ 1,086,191,844</b>

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Description	2017 (1)
University's proportion of the total other postemployment benefits liability	1.65%
University's proportionate share of the total other postemployment benefits liability	\$178,386,000
University's covered payroll	\$438,212,856
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered payroll	40.71%

(1) The amounts presented for the fiscal year were determined as of June 30.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The University's June 30, 2018, proportionate share of the total OPEB liability significantly increased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

**Changes of assumptions** - In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return.

## SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN

Description	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.72%	0.72%	0.72%	0.70%	0.55%
University's proportionate share of the FRS net pension liability	\$ 212,443,411	\$ 181,310,252	\$ 93,262,711	\$ 42,528,294	\$ 94,644,224
University's covered payroll (2)	\$ 438,212,856	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458	\$ 368,648,639
University's proportion of the FRS net pension liability as a percentage of its covered payroll	48.48%	42.85%	22.91%	10.91%	25.67%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(1) The amounts presented for each fiscal year were determined as of June 30.

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

## SCHEDULE OF UNIVERSITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN

Description	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 21,301,230	\$ 18,696,925	\$ 17,510,994	\$ 17,604,243	\$ 15,267,633
FRS contributions in relation to the contractually required FRS contribution	(21,301,230)	(18,696,925)	(17,510,994)	(17,604,243)	(15,267,633)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 455,890,734	\$ 438,212,856	\$ 423,172,345	\$ 407,099,915	\$ 389,854,458
FRS contributions as a percentage of covered payroll	4.67%	4.27%	4.14%	4.32%	3.92%

(1) The amounts presented for each fiscal year were determined as of June 30.

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

**Changes of assumptions** - The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

**SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

<b>Description</b>	<b>2017 (1)</b>	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>	<b>2013 (1)</b>
University's proportion of the HIS net pension liability	0.65%	0.66%	0.65%	0.64%	0.62%
University's proportionate share of the HIS net pension liability	\$ 69,890,112	\$ 76,700,313	\$ 66,652,215	\$ 59,936,732	\$ 54,347,452
University's covered payroll (2)	\$ 206,288,311	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602	\$ 179,775,016
University's proportion of the HIS net pension liability as a percentage of its covered payroll	33.88%	38.10%	33.95%	31.75%	30.23%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**SCHEDULE OF UNIVERSITY CONTRIBUTIONS –  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

<b>Description</b>	<b>2018 (1)</b>	<b>2017 (1)</b>	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>
Contractually required HIS contribution	\$ 3,511,821	\$ 3,459,247	\$ 3,373,247	\$ 2,498,290	\$ 2,195,911
HIS contributions in relation to the contractually required HIS contribution	(3,511,821)	(3,459,247)	(3,373,247)	(2,498,290)	(2,195,911)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 209,298,557	\$ 206,288,311	\$ 201,302,795	\$ 196,319,296	\$ 188,768,602
HIS contributions as a percentage of covered payroll	1.68%	1.68%	1.68%	1.27%	1.16%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Changes of assumptions** - The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 31, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

**Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, sweeping initial "S".

Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 31, 2019  
Audit Report No. 2019-114



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Annual Report 2017–2018