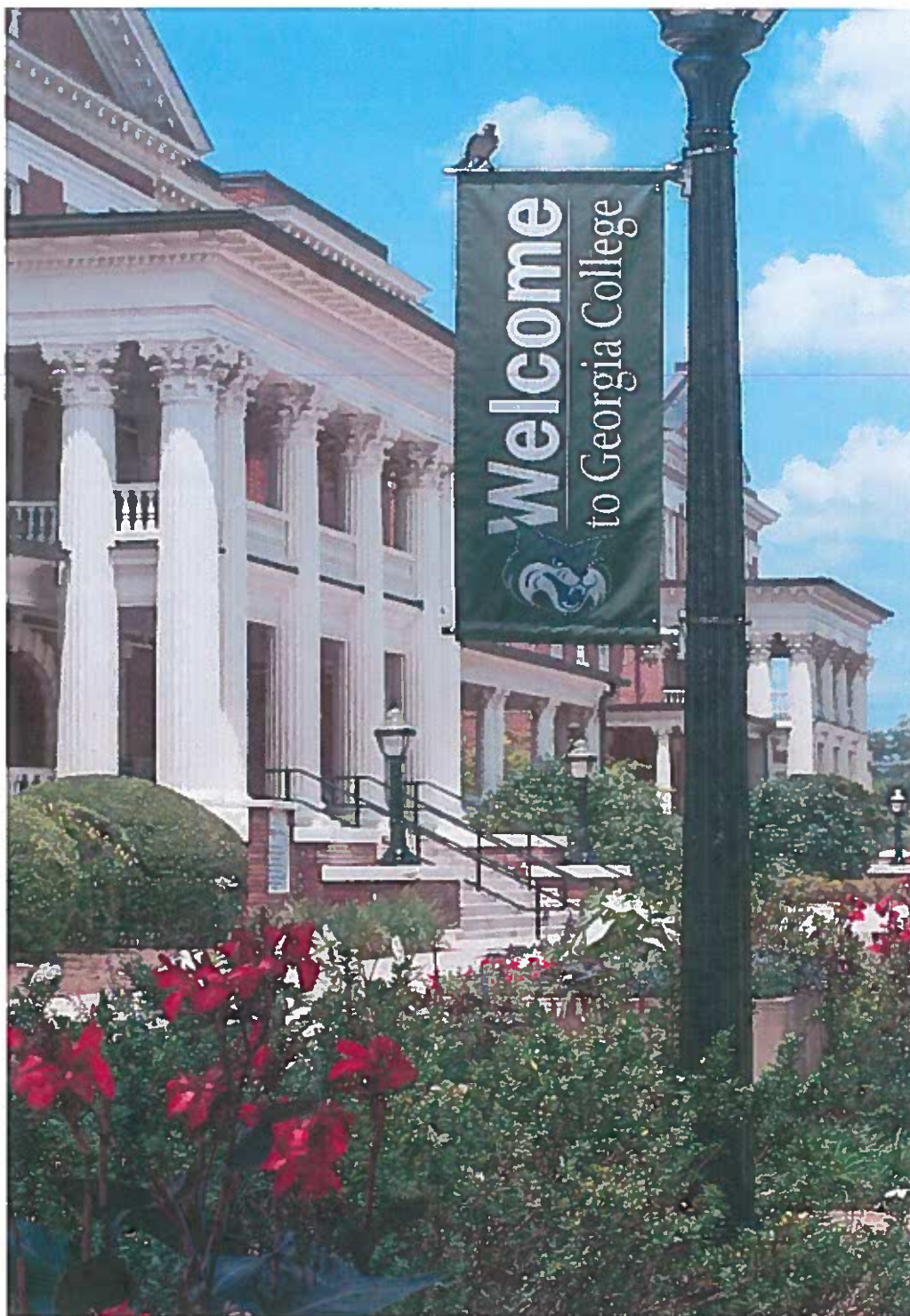


**GEORGIA COLLEGE & STATE UNIVERSITY**  
Annual Financial Report  
Fiscal Year Ended June 30, 2016



**Milledgeville, Georgia**

**GEORGIA COLLEGE & STATE UNIVERSITY**  
**ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended June 30, 2016

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## **GEORGIA COLLEGE & STATE UNIVERSITY**

### **Management's Discussion and Analysis**

#### **Introduction**

Georgia College & State University is one of the 29 institutions of higher education of the University System of Georgia. The University, located in Milledgeville, Georgia, was founded in 1889 AS Georgia Normal & Industrial College. It later became Georgia State College for Women (GSCW). In 1969 it became Georgia College and was re-established as a co-educational institution. In 1995 the Board of Regents of the University System of Georgia granted Georgia College university status, a new mission, and a new name, "Georgia College & State University."

As the State's designated public liberal arts university, Georgia College & State University is committed to combining the educational experiences typical of esteemed private liberal arts colleges with the affordability of public higher education. Georgia College & State University is a residential learning community that emphasizes undergraduate education and also offers selected graduate programs and one doctoral program called "Doctor of Nursing Practice (DNP)." The faculty is dedicated to challenging students and fostering excellence in the classroom and beyond. Georgia College & State University seeks to endow its graduates with a passion for achievement, a lifelong curiosity, and exuberance for living. With a capped-enrollment goal, the University continues to manage the minimal enrollment growth each year. Comparison enrollment and faculty numbers are presented below:

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2016	356	6,889	6,538
Fiscal Year 2015	339	6,772	6,408
Fiscal Year 2014	341	6,551	6,185

#### **Overview of the Financial Statements and Financial Analysis**

Georgia College & State University (Institution) is pleased to present its financial statements for fiscal year 2016. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institution's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2016 and fiscal year 2015.

#### **Statement of Net Position**

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets and liabilities, both current and noncurrent. The differences between current and noncurrent assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution and how much the Institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the

University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution.

The next category is restricted, which is divided into two categories, non-expendable and expendable. *The corpus of non-expendable, restricted resources* is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the Institution for any lawful purpose.

**Statement of Net Position, Condensed**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets:</b>		
Current Assets	\$ 26,068,521	\$ 23,449,003
Capital Assets, Net	175,258,328	179,702,957
Other Assets	<u>12,684,635</u>	<u>13,356,449</u>
<b>Total Assets</b>	<u>214,011,484</u>	<u>216,508,409</u>
 <b>Deferred Outflows of Resources</b>	 <u>\$ 5,912,854</u>	 <u>\$ 4,300,552</u>
 <b>Liabilities:</b>		
Current Liabilities	\$ 13,963,032	\$ 12,924,027
Non-Current Liabilities	<u>162,797,325</u>	<u>157,652,540</u>
<b>Total Liabilities</b>	<u>\$ 176,760,357</u>	<u>\$ 170,576,567</u>
 <b>Deferred Inflows of Resources</b>	 <u>\$ 8,984,116</u>	 <u>\$ 17,008,457</u>
 <b>Net Position:</b>		
Net Investment in Capital Assets	\$ 52,534,272	\$ 53,253,109
Restricted		
Permanent Trust		
Nonexpendable	3,785,471	3,829,084
Expendable	4,790,028	5,045,966
Unrestricted (Deficit)	<u>(26,929,906)</u>	<u>(28,904,222)</u>
 <b>Total Net Position</b>	 <u>\$ 34,179,865</u>	 <u>\$ 33,223,937</u>

Total assets and deferred outflows of resources decreased by \$(884,623) which was primarily due to a decrease of \$(4,444,629) in the category of Capital Assets, Net, and increases of \$2,619,518 in Cash and Cash Equivalents and \$1,612,302 in Deferred Outflows of Resources related to Pension Benefit reporting. The balance of the decrease for Capital Assets is mainly due to much more depreciation recorded in the current year than current year additions to Capital Assets. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the Institution to better serve the instruction, research, and public service missions of the Institution.



Total liabilities and deferred inflows of resources also decreased for the year in the amount of \$(1,840,551). The combination of the decrease in total assets and deferred outflows of resources and the decrease in total liabilities and deferred inflows of resources yielded an increase in net position of \$955,928. The increase in net position is primarily in the category of Unrestricted Net Assets in the amount of \$1,974,316.

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

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institution, both operating and non-operating, and the expenses paid by the Institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues	\$ 89,712,998	\$ 84,781,178
Operating Expenses	<u>124,318,817</u>	<u>121,783,029</u>
Operating Loss	\$ (34,605,819)	\$ (37,001,851)
Nonoperating Revenues and Expenses	<u>33,833,878</u>	<u>33,804,849</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	\$ (771,941)	\$ (3,197,002)
Other Revenues, Expenses, Gains or Losses	<u>1,727,869</u>	<u>1,151,468</u>
Increase/(Decrease) in Net Position	\$ 955,928	\$ (2,045,534)
Net Position at Beginning of Year, as originally reported	33,223,937	67,787,993
Prior Year Adjustments		(32,518,522)
Net Position at Beginning of Year, Restated	<u>\$ 33,223,937</u>	<u>\$ 35,269,471</u>
Net Position at End of Year	<u>\$ 34,179,865</u>	<u>\$ 33,223,937</u>

The Statement of Revenues, Expenses and Changes in Net Position reflect a relatively positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

**Revenue by Source**

For the Years Ended June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues		
Tuition and Fees	\$ 56,847,486	\$ 53,400,060
Grants and Contracts	901,101	775,691
Sales and Services	2,232,936	1,984,366
Auxiliary	29,342,577	28,337,297
Other	<u>388,898</u>	<u>283,764</u>
Total Operating Revenues	\$ 89,712,998	\$ 84,781,178
Nonoperating Revenues		
State Appropriations	\$ 31,536,964	\$ 29,636,189
Grants and Contracts	8,126,110	8,074,531
Gifts	328,422	1,386,297
Investment Income	205,303	261,013
Other	<u>(798)</u>	<u>82,196</u>
Total Nonoperating Revenues	\$ 40,196,001	\$ 39,440,226
Capital Gifts and Grants		
State	\$ 1,427,504	\$ 772,698
Other Capital Gifts and Grants	<u>254,075</u>	<u>378,770</u>
Total Capital Gifts and Grants	\$ 1,681,579	\$ 1,151,468
Additions to Permanent Endowments	<u>\$ 46,290</u>	
 Total Revenues	 <u>\$ 131,636,868</u>	 <u>\$ 125,372,872</u>

**Expenses (By Functional Classification)**

For the Years Ended June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Expenses		
Instruction	\$ 42,651,053	\$ 40,453,933
Research	575,244	509,377
Public Service	922,893	892,465
Academic Support	14,779,495	14,853,405
Student Services	9,204,718	8,339,313
Institutional Support	14,554,237	13,851,635
Plant Operations and Maintenance	14,927,445	15,269,827
Scholarships and Fellowships	1,936,877	1,817,484
Auxiliary Enterprises	<u>24,766,855</u>	<u>25,795,590</u>
Total Operating Expenses	124,318,817	121,783,029
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>6,362,123</u>	<u>5,635,377</u>
Total Nonoperating Expenses	6,362,123	5,635,377
 Total Expenses	 <u>\$ 130,680,940</u>	 <u>\$ 127,418,406</u>

Operating revenues increased by \$4,931,820 in fiscal year 2016. Tuition and Fees revenues increased by 6.46%, Operating Grants and Contracts revenues increased by 16.17%, and Auxiliary Enterprises revenues increased by 3.55%.

The Auxiliary revenue increase of \$1,005,280 is a result of residential life increasing the housing rates and also seeing a small increase in enrollment. However, an increase of new, privately-owned student housing in the community is making it increasingly difficult to attract and retain non-freshmen to campus residential housing facilities.

Net non-operating revenues only increased by \$1,900,775 for the year primarily due to an increase of \$1,900,775 in State Appropriations.

The compensation and employee benefits category increased by \$4,527,321 and primarily affected the Instruction, Institutional Support, Plant Operations & Maintenance, and Student Services categories. The increase reflects the addition of several faculty members, regular merit increases, several additions of career services positions, and an increased cost of health insurance for the employees of the Institution.

Utilities decreased by (\$1,159,907) during the past year. The decrease was primarily associated with the electricity/power consumption reduction plan initiated by our Office of Sustainability during fiscal year 2016 and a significant adjustment/refund made to us from our energy vendor who had overcharged us in the prior fiscal year. The majority of the decrease affected the Plant Operations and Maintenance category.

#### ***Statement of Cash Flows***

The final statement presented by the Georgia College & State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institution during the year. Cash flow information can be used to evaluate the financial viability of the Institution's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

**Cash Flows for the Years Ended June 30, 2016 and 2015, Condensed**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Operating Revenues</b>		
Tuition and Fees	\$ 56,847,486	\$ 53,400,060
Grants and Contracts	901,101	775,691
Sales and Services	2,232,936	1,984,366
Auxiliary	29,342,577	28,337,297
Other	388,898	283,764
<b>Total Operating Revenues</b>	<u>\$ 89,712,998</u>	<u>\$ 84,781,178</u>
<b>Nonoperating Revenues</b>		
State Appropriations	\$ 31,536,964	\$ 29,636,189
Grants and Contracts	8,126,110	8,074,531
Gifts	328,422	1,386,297
Investment Income	205,303	261,013
Other	(798)	82,196
<b>Total Nonoperating Revenues</b>	<u>\$ 40,196,001</u>	<u>\$ 39,440,226</u>
<b>Capital Gifts and Grants</b>		
State	\$ 1,427,504	\$ 772,698
Other Capital Gifts and Grants	254,075	378,770
<b>Total Capital Gifts and Grants</b>	<u>\$ 1,681,579</u>	<u>\$ 1,151,468</u>
<b>Additions to Permanent Endowments</b>	<u>\$ 46,290</u>	
<b>Total Revenues</b>	<u>\$ 131,636,868</u>	<u>\$ 125,372,872</u>

**Capital Assets**

The University had only one significant capital asset addition for buildings in fiscal year 2016. The \$685,028 renovations to the second floor of Lanier Hall were completed during fiscal year 2016, resulting in the Student Success Center in Lanier Hall opening in August, 2015.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

**Long Term Liabilities**

Georgia College & State University had Long-Term Liabilities of \$167,397,784 of which \$4,600,459 was reflected as current liability at June 30, 2016.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.



## **Economic Outlook**

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year, beyond those unknown variables having a global effect on virtually all types of business operations. The longer-term outlook is somewhat more optimistic as the State and National economies continue to show promise of slow but positive growth, and favorable budget support for education is shown by the Governor and the General Assembly.

The University's overall financial position remains strong, especially if Net Position is viewed without the effect of the additional Net Pension Liability (\$40,292,642) that was required to be recorded in the previous fiscal year in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The University continues to operate effectively within budgetary parameters and constraints. Prior years' enrollment increases and strong retention rates have enabled the University to offset some of the negative impact of GASB 68 on the overall Net Position. The University anticipates the current fiscal year will be much like last, and we will maintain a close watch over resources and continue to hold costs to lower levels in order to maintain the University's ability to react to unknown internal and external issues.



, President

Dr. Steve M. Dorman, President  
Georgia College & State University

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# **Georgia College & State University Financial Statements**

**GEORGIA COLLEGE & STATE UNIVERSITY****Statements of Net Position****ASSETS****Current Assets**

Cash and Cash Equivalents	\$	20,604,905
Accounts Receivable, net		
Receivables - Federal Financial Assistance		259,160
Receivables - Other		3,793,748
Due From Affiliated Organizations		192,976
Inventories		255,279
Prepaid Items		962,453
Total Current Assets		<u>26,068,521</u>

**Non-Current Assets**

Non-current Cash (Externally Restricted)		166,002
Investments (Externally Restricted)		5,208,122
Due From Affiliated Organizations		2,132,289
Due From USO - Capital Liability Reserve Fund		1,081,968
Investments		2,085,578
Notes Receivable, net		2,010,676
Capital Assets, net		<u>175,258,328</u>
Total Non-Current Assets	\$	<u>187,942,963</u>
<b>TOTAL ASSETS</b>	\$	<u><b>214,011,484</b></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Defined Benefit Pension Plan		<u>5,912,854</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	\$	<u><b>5,912,854</b></u>

The accompanying notes are an integral part of these financial statements.

**GEORGIA COLLEGE & STATE UNIVERSITY**

**Statements of Net Position (Continued)**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	2,298,094
Salaries Payable	300,993
Benefits Payable	1,246,553
Contracts Payable	1,406,496
Retainage Payable	295,670
Deposits	307,778
Advances (Including Tuition and Fees)	1,882,349
Other Liabilities	693,191
Deposits Held for Other Organizations	931,152
Lease Purchase Obligations	2,505,465
Compensated Absences	2,094,994
Due to Affiliated Organizations	297
<b>Total Current Liabilities</b>	<b>\$ 13,963,032</b>

**Non-Current Liabilities**

Lease Purchase Obligations	121,852,181
Compensated Absences	652,502
Net Pension Liability	40,292,642
<b>Total Non-Current Liabilities</b>	<b>\$ 162,797,325</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 176,760,357</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Gain on Debt Refunding	1,483,686
Deferred Gain on Defined Benefit Pension Plan	3,746,987
Deferred Inflows - Other	3,753,443
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 8,984,116</b>

**NET POSITION**

Net Investment in Capital Assets	52,534,272
Restricted for	
Nonexpendable	3,785,471
Expendable	4,790,028
Unrestricted Deficit	(26,929,906)
<b>TOTAL NET POSITION</b>	<b>\$ 34,179,865</b>

The accompanying notes are an integral part of these financial statements.

**GEORGIA COLLEGE & STATE UNIVERSITY****Statement of Revenues, Expenses, and Changes in Net Position****REVENUES**

## Operating Revenues

Student Tuition and Fees (net)	\$	56,847,486
Grants and Contracts		
Federal		698,165
State		20,860
Other		182,076
Sales and Services		2,232,936
Rents and Royalties		52,133
Auxiliary Enterprises		
Residence Halls		15,038,942
Bookstore		1,036,584
Food Services		7,574,688
Parking/Transportation		1,509,071
Health Services		1,376,142
Intercollegiate Athletics		2,477,273
Other Organizations		329,877
Other Operating Revenues		336,765
Total Operating Revenues		<u>89,712,998</u>

**EXPENSES**

## Operating Expenses

Salaries:		
Faculty	\$	28,143,288
Staff		31,373,553
Employee Benefits		18,447,378
Other Personal Services		291,494
Travel		1,129,480
Scholarships and Fellowships		2,907,575
Utilities		3,229,584
Supplies and Other Services		29,844,635
Depreciation		8,951,830
Total Operating Expenses		<u>124,318,817</u>
Operating Income (loss)		<u>(34,605,819)</u>

The accompanying notes are an integral part of these financial statements.



**GEORGIA COLLEGE & STATE UNIVERSITY****Statement of Revenues, Expenses, and Changes in Net Position (Continued)****NONOPERATING REVENUES (EXPENSES)**

State Appropriations	\$	31,536,964
Grants and Contracts		
Federal		6,639,799
State		100,468
Other		1,385,843
Gifts		328,422
Investment Income (endowments, auxiliary and other)		205,303
Interest Expense (capital assets)		(6,362,123)
Other Nonoperating Revenues (Expenses)		(798)
Net Nonoperating Revenues		<u>33,833,878</u>
Income (Loss) Before Other Revenues, Expenses,		
Gains, or Losses		<u>(771,941)</u>
Capital Grants and Gifts		
Federal		
State		1,427,504
Other		254,075
Additions to permanent endowments		<u>46,290</u>
Total Other Revenues, Expenses, Gains or Losses, and		
Special Item		<u>1,727,869</u>
Increase (Decrease) in Net Position		<u>955,928</u>

**NET POSITION**

Net Position-Beginning of Year, As Originally Reported		<u>33,223,937</u>
Net Position-Beginning of Year, Restated		<u>33,223,937</u>
Net Position-End of Year	\$	<u>34,179,865</u>

The accompanying notes are an integral part of these financial statements.

**GEORGIA COLLEGE & STATE UNIVERSITY**

**Statement of Cash Flows**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Payments from Customers	\$ 89,162,777
Federal Appropriations	
Grants and Contracts (Exchange)	1,086,603
Payments to Suppliers	(53,868,983)
Payments to Employees	(60,602,808)
Payments for Scholarships and Fellowships	(2,907,575)
Loans Issued to Students	280,254
Net Cash Provided (Used) by Operating Activities	<u>(26,849,732)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	\$ 31,536,964
Agency Funds Transactions	(374,395)
Gifts and Grants Received for Other Than Capital Purposes	8,500,822
Other Noncapital Financing Receipts	2,705
Net Cash Flows Provided by Non-capital Financing Activities	<u>39,666,096</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Gifts and Grants Received	\$ 764,670
Purchases of Capital Assets	(3,588,612)
Principal Paid on Capital Debt and Leases	(2,227,841)
Interest Paid on Capital Debt and Leases	(6,324,733)
Net Cash used by Capital and Related Financing Activities	<u>(11,376,516)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 969,269
Investment Income	305,092
Purchase of Investments	(822,487)
Net Cash Provided (used) by Investing Activities	<u>451,874</u>
Net Increase/Decrease in Cash	1,891,722
Cash and Cash Equivalents - Beginning of year	18,879,185
Cash and Cash Equivalents - End of Year	<u>\$ 20,770,907</u>

The accompanying notes are an integral part of these financial statements.

**GEORGIA COLLEGE & STATE UNIVERSITY**

**Statement of Cash Flows (Continued)**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (loss)	\$ (34,605,819)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	8,951,830
Change in Assets and Liabilities:	
Receivables, net	912,197
Inventories	(28,045)
Prepaid Items	(42,521)
Notes Receivable, Net	280,254
Accounts Payable	(618,522)
Salaries Payable	78,100
Contracts Payable	297,941
Retainage Payable	88,746
Deposits	(15,000)
Advances (Including Tuition & Fees)	(367,722)
Other Liabilities	41,076
Compensated Absences	(27,386)
Due to Affiliated Organizations	(17,299)
Net Pension Liability	7,797,046
Other Post-Employment Benefit Liability	
Change in Deferred inflows/outflows of resources:	
Deferred Inflows of Resources	(7,962,306)
Deferred Outflows of Resources	(1,612,302)
Net Cash Provided (used) by Operating Activities	<u>\$ (26,849,732)</u>

**\*\* NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND  
RELATED FINANCING TRANSACTIONS**

Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	\$ 959,784
Loss on Disposal of Capital Assets	\$ (799)
Adjustments to Capital Asset Beginning Balance Run Through Current Year Activity	\$ (296,634)
Accrual of Capital Asset Related Payables	\$ (1,460,569)
Amortization of Deferred Gain/Loss of Capital Debt Refunded	\$ 62,036
Accrual of Capital Financing Interest Payable	\$ (99,426)
Amortization of Gift Revenue recognized on Non-Cash Capital Gifts from Vendors	\$ (243,470)
Unrealized Gain/Loss on Investments	\$ (99,789)

The accompanying notes are an integral part of these financial statements.

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## **Note 1. Summary of Significant Accounting Policies**

### **Nature of Operations**

Georgia College & State University (Institution) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

### **Reporting Entity**

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Institution is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven-year term and members may be reappointed to subsequent terms by a sitting governor.

The Institution does not have the right to sue/be sued without recourse to the State. The Institution's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Institution is not legally separate from the State. Accordingly, the Institution is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The State's CAFR as of and for the year ended June 30, 2016 has not been issued as of the release of this report. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or found at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Legally separate, tax exempt affiliated organizations whose activities primarily support units of the USG are considered potential component units of the State. See Note 20 for additional information.

### **Basis of Accounting and Financial Statement Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Institution's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Institution's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra- Institution transactions have been eliminated.



### **New Accounting Pronouncements**

For fiscal year 2016, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts.

### **Investments**

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The Institution accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Total Return Fund is included as Investments.

### **Accounts Receivable**

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institution's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

### **Inventories**

Georgia College & State University does not maintain an inventory for consumable supplies. Resale Inventories are valued at cost using the average-cost basis.

### **Non-current Cash and Investments**

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Position.

### **Prepaid Items**

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Institution's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the Institution, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the Institution. GSFIC issues bonds for and on behalf of the State, pursuant to powers granted to it in the Constitution of the State and the Act creating the GSFIC. These bonds constitute direct and general obligations of the State, to the payment of which the full faith, credit and taxing power of the State are pledged.

### **Due From USG - Capital Liability Reserve Fund**

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the University System Office. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the USG has rental obligations under the PPV program. At the conclusion of the Institution's participation in the program, funds will be returned to the Institution. The balance included on the Institution's Statement of Net Position represents the Institution's contribution to the Fund.

### **Deferred Outflows of Resources**

Deferred outflows of resources consist of the consumption of net assets by the Institution that are applicable to a future reporting period.

### **Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in the Institution's residence halls.

### **Advances**

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

### **Deposits Held for Other Organizations**

Deposits held for other organizations result primarily from the Institution acting as an agent, or fiduciary, for another entity. Deposits held for others consist of scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

### **Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Position.

### **Noncurrent Liabilities**

Noncurrent liabilities include (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

### **Deferred Inflows of Resources**

Deferred inflows of resources consist of the acquisition of net assets by the Institution that are applicable to a future reporting period. The following balances remain in the Deferred Inflows – Other account at June 30, 2016: 1) \$1,460,862 of unearned vendor gift revenue that is being deferred and amortized over the life of the vendor agreements; and 2) \$2,292,581 of deferred gains on the swap modification agreement initiated by the GCSU Foundation, Inc. in Fiscal Year 2013 on the 2007 Student Housing bonds.

### **Pensions and Net Pension Liability**

The net pension liability represents the unfunded pension obligation which is the difference between the total pension obligation as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, additions/deductions from fiduciary net position have been determined on the same basis as they are reported by Teachers' Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employees' contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Net Position**

The Institution's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

*Restricted – non-expendable* includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University of Georgia permits each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted-expendable accounts for expenditure as specified by the purpose of the endowment. The Institution maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

*Restricted – expendable* includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

*Unrestricted:* Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$9,832.41. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

- **Auxiliary Enterprises Operations** – These resources are used for the continued operation of auxiliary enterprise activities, which are substantially self-supporting business operations conducted on campuses that provide services to students, faculty, and staff.
- **Auxiliary Enterprises Renewals and Replacement (R&R) Reserve** – These resources can be used for renewals and replacement of capitalizable assets related to auxiliary services. This R&R reserve can also be used for major renovations and rehabilitations auxiliary projects that do not meet the capitalization threshold.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institution's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

See Note 10, Net Position, for additional information.

#### **Income Taxes**

The Institution, as a political subdivision of the State, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

#### **Classification of Revenues and Expenses**

The Statement of Revenues, Expenses and Changes in Net Position classify fiscal year activity as operating and non-operating according to the following criteria:

- **Operating revenue** includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- **Non-operating revenue** includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.
- **Operating Expenses:** Operating expense includes activities that have the characteristics of exchange transactions.
- **Non-operating expense** includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.



### **Scholarship Allowances**

Scholarship allowances are the difference between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$6,619,643 and \$698, respectively.

### **Note 2. Deposits and Investments**

#### **Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2016, the carrying value of deposits was \$20,751,307 and the bank balance was \$21,095,686. Of the Institution's deposits, \$20,127,532 were uninsured. Of these uninsured deposits, \$20,127,532 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name, \$0 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the Institution's name, and \$0 were uncollateralized.



The following schedule reconciles cash and cash equivalents to the carrying value of deposits:

**Reconciliation of Cash and Cash Equivalents Balances to Carrying Value of Deposits:**

Business-type Activities	
Statement of Net Position	
Cash and Cash Equivalents	\$ 20,604,905
Non-Current Cash and Cash Equivalents	<u>166,002</u>
Total Cash and Cash Equivalents	20,770,907
 Add:	
Deposits with original maturity over 90 days reported as Investments	
 Less:	
Cash on Hand	<u>(19,600)</u>
 Total Carrying Value of Deposits - June 30, 2016	<u><u>\$ 20,751,307</u></u>

**Investments**

The Institution maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility each institution has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy, and applicable federal and state laws.

The Institution's investments as of June 30, 2016 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	<u>Fair Value</u>	<u>4-12 Months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Investment type				
Debt Securities				
U.S. Treasuries	\$ 98,762	\$ 13,128	\$ 82,013	\$ 3,621
U.S. Agencies				
Implicitly Guaranteed	39,709	7,375	16,195	16,139
Bond Securities	781,207		328,929	452,278
Corporate Debt	143,822		97,500	46,322
Mutual Bond Funds	251,242			251,242
	<u>1,314,742</u>	<u>\$ 20,503</u>	<u>\$ 524,637</u>	<u>\$ 769,602</u>
Other Investments				
Cash Surrender Value				
Equity Mutual Funds - Domestic	1,071,481			
Equity Mutual Funds - International	420,732			
Equity Securities - Domestic	1,692,318			
Equity Securities - International	58,746			
Real Estate Held for Investment Purposes				
Real Estate Investment Trusts	225,248			
Investment Pools				
Board of Regents				
Total Return Fund	2,510,433			
Total Investments	<u>\$ 7,293,700</u>			

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares.

Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at <http://www.audits.ga.gov>.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Through a management agreement, the Georgia College & State University Foundation, Inc. manages the University's endowment funds. The Georgia College & State University Foundation's policy for managing interest rate risk, as adopted by the Investment Committee:

1. The Fixed Income portfolio should maintain a minimum overall quality rating of "investment grade" by Moody's and Standard & Poor's ("Baa3" or better for Moody's, "BBB-" or better for Standard & Poor's). Allowable fixed income securities include government, agency, mortgage, corporate, and asset backed, both domestically and globally.
2. Except for government and agency issues, no more than ten (10) percent of the market value of the fixed income portfolio should be invested in any one issue, no more than twenty (20) percent of the market value in any one industry, unless specifically approved as an exception by the Committee.
3. The Asset Allocation guideline for: Cash and Cash Equivalents is 1% to 15% of the investment portfolio; for Equities is 60% to 80% of the investment portfolio; and for Fixed Income is 20% to 40% of the investment portfolio.

The Effective Duration of the Total Return Fund is 4.77 years. Of the Institution's total investment of \$2,510,433 in the Total Return Fund, \$878,652 is invested in debt securities.

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Institution will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Through a management agreement, the Georgia College & State University Foundation, Inc. manages the University's endowment funds. The University's Foundation's policy for managing custodial credit risk, as adopted by the Georgia College & State University Foundation's Investment Committee on June 6, 2013 and by the Board of Trustees on June 17, 2013, is:

1. The Investment Advisor's performance shall be compared regularly with the performance of the appropriate equity or fixed income market indices, performance of peers, industry benchmarks and other reasonable peer performance guidelines.
  - a. Equity management will be expected to achieve at least average total rates of return, net of fees, over rolling three (3) year periods that equal or exceed the MSCI All Country World Index (MSCI ACWI).
  - b. Fixed income management will be expected to achieve at least average total rates of return, net of fees over rolling three (3) year periods that equal or exceed the Barclays Capital Aggregate Bond Index (BarCap AGG).
  - c. Individual managers/funds are expected to outperform their respective benchmarks and finish in the top half of their respective peer group over a full market cycle, typically defined as five (5) years.
2. The Investment Advisor can be responsible for custody of securities. If the Investment Advisor does not generally offer custodial services, the (Investment) Committee shall name a custodian.

3. All transactions shall be entered into on the basis of best execution, which means best-realized net price.
4. The Investment Committee shall conduct regular evaluations of the Investment Advisor. Notwithstanding the foregoing, a formal request for proposals (RFP) shall be issued to the current Investment Advisor, custodians and no fewer than three (3) qualified investment advisory firms at an interval of not more than five (5) years from the date of hire.
5. The (Investment) Committee shall conduct a formal review of the Portfolio performance quarterly with the Investment Advisor.

At June 30, 2016, \$4,558,019 of the Institution's applicable investments were uninsured and held by the investment's counterparty's trust department or agent, but not in the Institution's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Through a management agreement, the Georgia College & State University Foundation, Inc. manages the University's endowment funds. The University Foundation's policy for managing credit quality risk, as adopted by the Georgia College & State University Foundation's Investment Committee on June 6, 2013 and by the Board of Trustees on June 17, 2013, is:

Equities:

1. To achieve diversification, the Foundation shall invest across various equity styles, foreign and domestic, and various capitalization sizes and industry sectors, both public and private. The portfolio shall be diversified among different industries, with a concentration in any single industry and in any single company of not greater than twenty (20) percent and five (5) percent respectively, unless specifically approved as an exception by the Investment Committee. Futures and derivatives as investments shall not be used except by majority vote of the Investment Committee or when used as a sub-strategy within a professionally-managed commingled/mutual fund.
2. Upon specific approval by the Committee, investments in income-producing real estate shall be permitted and shall be treated as an equity investment. Professionally-managed commingled/mutual funds using publicly traded Real Estate Investment Trusts (REITs) shall also be allowed.
3. The Asset Allocation guideline for Equities is 60% to 80% of the investment portfolio.

Fixed Income:

1. The Fixed Income portfolio should maintain a minimum overall quality rating of "investment grade" by Moody's and Standard & Poor's ("Baa3" or better for Moody's, "BBB-" or better for Standard & Poor's). Allowable fixed income securities include government, agency, mortgage, corporate, and asset backed, both domestically and globally.
2. Except for government and agency issues, no more than ten (10) percent of the market value of the fixed income portfolio should be invested in any one issue, no more than twenty (20) percent of the market value in any one industry, unless specifically approved as an exception by the Committee.
3. The Asset Allocation guideline for Fixed Income is 20% to 40% of the investment portfolio.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	Unrated
<b>Related Debt Investments</b>						
U. S. Agency Securities	39,709	39,709				
Bond Securities	781,207					781,207
Corporate Debt	143,822		56,812	55,907	31,103	
Mutual Bond Fund	251,242	15,762	4,699			230,781
	<u>\$ 1,215,980</u>	<u>\$55,471</u>	<u>\$61,511</u>	<u>\$55,907</u>	<u>\$31,103</u>	<u>\$1,011,988</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Institution does not have a formal policy for managing concentration of credit risk.

Georgia College & State University had three investments within their Endowment Investment portfolio account with SunTrust (that is managed by the Georgia College & State University Foundation, Inc.) that had concentrations of greater than 5% of total investments held. These were as follows: 1) 103.23 shares for a market value of \$370,596 in iShares Russell 1000 Value ETF; 2) 100.36 shares for a market value of \$409,469 in iShares Russell 1000 Growth ETF; and 3) 191.78 shares for a market value of \$499,307 in Vanguard Short-Term Bond ETF.

**Note 3. Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2016:

	<b>June 30, 2016</b>
	<b><u>Business Type Activities</u></b>
Student Tuition and Fees	\$ 79,290
Auxiliary Enterprises and Other Operating Activities	146,870
Federal Financial Assistance	259,160
Georgia State Financing and Investment Commission	959,784
Due from Affiliated Organizations	2,325,265
Due from Other USG Institutions	1,081,968
Other	<u>2,678,271</u>
	7,530,608
Less: Allowance for Doubtful Accounts	<u>70,467</u>
Net Accounts Receivable	<u>\$ 7,460,141</u>

**Note 4. Inventories**

Inventories consisted of the following at June 30, 2016:

Merchandise for Resale	<u>\$ 255,279</u>
Total	<u><u>\$ 255,279</u></u>

**Note 5. Notes/Loans Receivable**

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2016. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institution for amounts cancelled under these provisions. As the Institution determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The Institution has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2016, the allowance for uncollectible loans was approximately \$0.

**Note 6. Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balances July 1, 2015	Capital Leases Recategorization	Additions	Reductions	Ending Balance June 30, 2016
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,417,860				\$ 1,417,860
Capitalized Collections	257,475				257,475
Construction Work-in-Progress	1,265,909		\$ 2,662,404	\$ 685,028	3,243,285
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 2,941,244</b>	<b>\$ -</b>	<b>\$ 2,662,404</b>	<b>\$ 685,028</b>	<b>\$ 4,918,620</b>
<b>Capital Assets, Being Depreciated/Amortized:</b>					
Building and Building Improvements	111,496,628	129,258,240	685,028		241,439,896
Facilities and Other Improvements	2,299,854	1,142,211			3,442,065
Equipment	17,331,563	406,594	1,532,616	353,995	18,916,778
Capital Leases	130,807,045	(130,807,045)			
Library Collections	9,737,485		312,980	872	10,049,593
Capitalized Collections	10,000				10,000
<b>Total Capital Assets Being Depreciated/Amortized</b>	<b>\$ 271,682,575</b>	<b>\$ -</b>	<b>\$ 2,530,624</b>	<b>\$ 354,867</b>	<b>\$ 273,858,332</b>
<b>Less: Accumulated Depreciation/Amortization</b>					
Building and Building Improvements	45,671,757	29,659,614	6,746,598		82,077,969
Facilities and Other Improvements	819,223	365,507	87,946		1,272,676
Equipment	10,229,159	327,681	1,750,932	353,196	11,954,576
Capital Leases	30,352,802	(30,352,802)			
Library Collections	7,840,254		366,104	872	8,205,486
Capitalized Collections	7,667		250		7,917
<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ 94,920,862</b>	<b>\$ -</b>	<b>\$ 8,951,830</b>	<b>\$ 354,068</b>	<b>\$ 103,518,624</b>
<b>Total Capital Assets, Being Depreciated/Amortized,</b>	<b>176,761,713</b>	<b>-</b>	<b>(6,421,206)</b>	<b>799</b>	<b>170,339,708</b>
<b>Capital Assets, net</b>	<b>\$ 179,702,957</b>	<b>\$ -</b>	<b>\$ (3,758,802)</b>	<b>\$ 685,827</b>	<b>\$ 175,258,328</b>



For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institution when complete. For projects managed by the Institution, the Institution retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2016, GSFIC did not transfer any capital additions to the Institution. In addition, at June 30, 2016, GSFIC had construction in progress of approximately \$751,196 for incomplete projects for the Institution.

**Note 7. Advances (Including Tuition and Fees)**

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2016:

	<u>Current Liabilities</u>	<u>Non-Current Liabilities</u>
Prepaid Tuition and Fees	\$ 1,339,500	\$ -
Other - Advances	542,849	
	<hr/>	<hr/>
Totals	<u>\$ 1,882,349</u>	<u>\$ -</u>

**Note 8. Long Term Liabilities**

Long-Term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2016</u>	<u>Current Portion</u>
Leases					
Lease Purchase Obligations	\$ 126,585,487		\$ 2,227,841	\$ 124,357,646	\$ 2,505,465
Other Liabilities					
Compensated Absences	2,774,882	2,279,782	2,307,168	2,747,496	2,094,994
Net Pension Liability	32,495,596	7,797,046		40,292,642	
Total	<u>35,270,478</u>	<u>10,076,828</u>	<u>2,307,168</u>	<u>43,040,138</u>	<u>2,094,994</u>
Total Long-Term Obligations	<u>\$ 161,855,965</u>	<u>\$ 10,076,828</u>	<u>\$ 4,535,009</u>	<u>\$ 167,397,784</u>	<u>\$ 4,600,459</u>

**Note 9. Service Concession Arrangements**

For the year ended June 30, 2016, the Institution did not have any service concession arrangements.

**Note 10. Net Position**

Net position is reported in the following three categories: Net Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted.

The amounts within each category at June 30, 2016 were as follows:

	<u>June 30, 2016</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 52,534,272
Restricted for	
Permanent Trust	
Nonexpendable	
Permanent Endowment	3,785,471
Expendable	
Restricted E&G and Other Organized	
Activities	1,360,934
Federal Loans	2,330,304
Institutional Loans	1,098,790
Sub-Total	<u>\$ 4,790,028</u>
Other Purposes	
Unrestricted	
R & R Reserve	15,880,488
Reserve for Encumbrances	13,170,087
Other Unrestricted	(57,062,449)
USO Reserve Fund	1,081,968
Sub-Total	<u>\$ (26,929,906)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 34,179,865</u></u>

**Note 11. Endowments**

**Donor Restricted Endowments:**

Investments of the Institution's endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Georgia College & State University to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net loss for the endowment accounts was \$-140,849 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institution's endowment funds is predicated on the total return concept. Annual payouts from the Institution's endowment funds are based on a spending policy which limits spending to 4.75% of the endowments principal's market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Institution uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

During the current year, the Institution incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2016, the amount of investment losses reported against the nonexpendable endowment balances was \$43,614.

**Note 12. Significant Commitments**

See Note 10 for amounts reserved for outstanding encumbrances at June 30, 2016. In addition to these encumbrances, the Institution had other significant unearned, outstanding, construction or renovation contracts executed in the amount of \$8,663,737 as of June 30, 2016. This amount is not reflected in the accompanying basic financial statements.

**Note 13. Lease Obligations**

The Institution is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

**Capital Leases**

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2025 and 2041. Expenditures for fiscal year 2016 were \$8,589,964 of which \$6,362,123 represented interest. Total principal paid on capital leases was \$2,227,841 for the fiscal year ended June 30, 2016. Interest rates range from 4.100 percent to 6.244 percent.

**CAPITAL LEASE SCHEDULE**

<u>Description</u>	<u>Lessor</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin Month/Year</u>	<u>End Month/Year</u>	<u>Outstanding Principal Balance at June 30, 2016</u>	
Student Housing	GCSU Foundation	\$ 94,350,650	27 years	06/15/2007	03/24/2034	\$ 84,882,153	(1)
Student Activity Center	GCSU Foundation	6,382,006	20 years	02/01/2005	06/30/2025	3,119,016	(1)
Inwin Street Parking Lot	GCSU Foundation	1,595,164	21 years	09/01/2004	06/30/2025	785,334	(1)
Campus Theatre	USG Real Estate Foundation I, LLC	9,448,892	30 years	01/28/2008	06/01/2040	7,652,059	
Student Wellness & Recreation Center	USG Real Estate Foundation I, LLC	29,443,514	30 years	08/12/2010	06/15/2014	27,919,084	
		0				0	
		0				0	
<b>Total Leases</b>		<b>\$ 141,220,226</b>				<b>\$ 124,357,646</b>	

(1) These capital leases are related party transactions with affiliated organizations.

**Operating Leases**

The Institution's non-cancellable operating leases having remaining terms of more than one year expire in fiscal year 2017, with the option to renew each fiscal year. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled \$ 454,086 for the fiscal year ended June 30, 2016.

Following are the Operating Leases held by the University during fiscal year 2016:

<u>Property Leased</u>	<u>Location</u>	<u>Lessor</u>	<u>Annual Lease</u>
Macon Graduate & Professional Programs Center	433 Cherry St Macon, GA	GCSU Foundation	\$313,836 (1)
McComb Building	115 S. Wilkinson St Milledgeville, GA	GCSU Foundation	\$ 33,482 (1)
Parking Lot	425 N. Clark St Milledgeville, GA	Wilkinson Colonial Properties	\$ 27,360
Storage	121 Blandy Rd NW Milledgeville, GA	Warehouse Solutions, LLC	\$ 13,395
Parking Lot	Tatnall St Milledgeville, GA	Norfolk Southern Corp	\$ 750
Parking Lot	433 Cherry St Macon, GA	City of Macon	\$ 4,200
Parking Lot	141 Thomas St Milledgeville, GA	Wilkinson Hilltop Investment, LLC	\$ 14,400
University Communications Building	127 W. Hancock St Milledgeville, GA	Pendergast Properties	\$ 44,908

(1) These operating leases are related party transactions with affiliated organizations.

#### **Future Commitments**

Future commitments for capital leases (which include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2017	\$ 9,634,988	\$ 455,995
2018	9,846,210	
2019	10,062,744	
2020	10,288,246	
2021	10,517,100	
2022 through 2026	55,581,511	
2027 through 2031	59,567,656	
2032 through 2036	42,421,560	
2037 through 2041	12,706,838	
Total minimum lease payments	\$ 220,626,853	\$ 455,995
Less: Interest	80,020,499	
Less: Executory costs (if paid)	16,248,708	
Principal Outstanding	\$ 124,357,646	

The following is a summary of the carrying values of assets held under capital lease at June 30, 2016:

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2016 (=)	Outstanding Balances per lease schedules at June 30, 2016 (*)
Leased Land & Land Improvements	\$ 735,481		\$ 735,481	\$ 490,170
Leased Equipment	406,594	382,973	23,621	295,369
Leased Buildings & Building Improvements	129,258,240	33,968,255	95,289,985	118,386,451
Leased Facilities and Other Improvements	1,142,211	411,196	731,015	607,811
Total Assets Held Under Capital Lease at June 30, 2016	\$ 131,542,526	\$ 34,762,424	\$ 96,780,102	\$ 119,779,801

(\*) Of the total capital lease debt of \$124,357,646 only \$119,779,801 is associated with capitalized assets. The remaining \$4,577,845 is capital lease debt associated with assets that did not meet capitalization thresholds.

#### Note 14. Retirement Plans

##### A. Defined Benefit Plans:

The Institution participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.



In addition to the retirement plans administered by TRS and ERS, USG administers the Regents Retirement Plan as an optional retirement plan. The significant retirement plans that the Institution participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

## Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

### Summary of Significant Accounting Policies

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### General Information about the Teachers Retirement System

**Plan description:** –All teachers of the Institution as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

**Benefits provided:** TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2016.

The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27 % of annual Institution payroll. Institution contributions to TRS were \$4,334,213 for the year ended June 30, 2016.

### General Information about the Employees' Retirement System

**Plan description:** – ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to

the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

**Benefits provided:** The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

**Contributions:** Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old plan members and new plan members, and 21.69% for GSEPS members. The Institution's contributions to ERS totaled \$63,597 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows Of Resources Related to Pensions***

At June 30, 2016, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30 2015, the Institution's TRS proportion was 0.262%, which was an increase of 0.008% from its proportion measured as of June 30, 2014. At June 30, 2015, the Institution's ERS proportion was 0.012%, which was an increase of 0.008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institution recognized pension expense of \$1,367,317 for TRS and \$52,618 for ERS. At June 30, 2016, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 350,246	\$ -	\$ 3,769
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments		3,358,941		34,031
Changes in proportion and differences between University contributions and proportionate share of contributions	1,479,768		35,276	
University contributions subsequent to the measurement date	4,334,213		63,597	
Total	\$ 5,813,981	\$ 3,709,187	\$ 98,873	\$ 37,800

Institution contributions subsequent to the measurement date of \$4,334,213 for TRS and \$63,597 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	\$ (1,266,240)	\$ 9,886
2018	(1,266,240)	(8,716)
2019	(1,266,242)	(15,168)
2020	1,536,410	11,474
2021	32,893	0
Thereafter	0	0

**Actuarial assumptions:** The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Employees' Retirement System**

Inflation	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
<b>Total</b>	<b>100.00%</b>	

\* Rates shown are net of the 3.00% assumed rate of inflation

**Discount rate:** The discount rate used to measure the total TRS and ERS pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be

available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Institution's proportionate share of the net pension liability to changes in the discount rate:** The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

**Teachers Retirement System:**

	<b>1% Decrease (6.50%)</b>	<b>Current discount rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
University's proportionate share of the net pension liability	\$ 68,429,341	\$ 39,820,978	\$ 16,240,881

**Employees' Retirement System:**

	<b>1% Decrease (6.50%)</b>	<b>Current discount rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
University's proportionate share of the net pension liability	\$ 668,600	\$ 471,664	\$ 303,768

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at [www.trsga.com/publications](http://www.trsga.com/publications) and [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs), respectively.

**B. Defined Contribution Plan:**

**Regents Retirement Plan**

**Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et. seq. and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

**Funding Policy**

The Institution makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2016, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of \$2,123,989 (9.24%) and \$1,378,980 (6%), respectively.



VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

#### **Note 15. Risk Management**

The USG offers its employees and retirees under the age of 65 access to four different healthcare plan options. For the USG's Plan Year 2016, the following healthcare plan options were available:

- BlueChoice HMO
- Comprehensive Care
- Consumer Choice HSA
- Kaiser Permanente HMO

The Institution, participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the USG share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree healthcare exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the USG, fully insured HMO healthcare plan are also offered to System employees.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institution, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.



**Note 16. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Institution (an organizational unit of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

**Note 17. Post-Employment Benefits Other Than Pension Benefits**

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institution pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 310 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred \$1,397,700 of expenditures, which was net of \$542,186 of participant contributions.

**Note 18. Natural Classifications with Functional Classifications**

Operating expenses by functional classification for fiscal year 2016 are shown below:

Natural Classification	Functional Classification Fiscal Year 2016					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$25,160,096	\$ 114,714	\$ 41,834	\$ 2,530,868	\$ 71,741	\$ 42,475
Staff	3,860,182	191,761	506,294	5,379,175	4,267,455	7,276,169
Benefits	7,615,975	68,555	132,168	2,339,021	1,362,205	3,493,376
Personal Services	45,854		14,961	20,311	21,210	189,158
Travel	136,898	50,246	6,878	511,493	84,474	180,963
Scholarships and Fellowships	108,616					
Utilities	93,891	2,531	15,528	114,964	38,396	
Supplies and Other Services	4,018,036	132,082	192,982	2,612,929	2,159,970	2,737,768
Depreciation	1,611,505	15,355	12,248	1,270,734	1,199,267	634,328
Total Expenses	<u>\$42,651,053</u>	<u>\$ 575,244</u>	<u>\$ 922,893</u>	<u>\$14,779,495</u>	<u>\$ 9,204,718</u>	<u>\$14,554,237</u>

Natural Classification	Functional Classification Fiscal Year 2016			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty			\$ 181,560	\$ 28,143,288
Staff	\$ 5,776,765		4,115,752	31,373,553
Benefits	2,214,179		1,221,899	18,447,378
Personal Services				291,494
Travel	32,253		126,275	1,129,480
Scholarships and Fellowships		\$ 1,936,877	862,082	2,907,575
Utilities	1,794,157		1,170,117	3,229,584
Supplies and Other Services	4,973,519		13,017,349	29,844,635
Depreciation	136,572		4,071,821	8,951,830
Total Expenses	<u>\$14,927,445</u>	<u>\$ 1,936,877</u>	<u>\$24,766,855</u>	<u>\$ 124,318,817</u>

**Note 19. Affiliated Organizations**

Under Board of Regents policy, each individual institution may establish agreements with foundations to provide valuable assistance in fundraising, public outreach and other support for the missions of the respective campuses and the USG. Although independent boards govern these foundations, their assets are generally dedicated for the benefit of the related institution and the USG. Georgia College & State University Foundation, Inc. (GCF) and Georgia College & State University Alumni Association, Inc. (GCAA) are legally separate, tax-exempt organizations whose activities primarily support Georgia College & State University.

Through the normal course of operations, Georgia College & State University both receives funds and/or assets from and provides funds and/or assets to the before mentioned affiliated organizations in support of capital outlay projects, scholarships and other supporting activities of the Institution. Funds received and/or provided during the fiscal year related to these activities (excluding lease activities previously disclosed in Note 13) are as follows:

Affiliated Organization	Activity Reported by University			
	Revenue	Outstanding Receivable or Other Assets	Expense	Outstanding Payable or Other Liabilities
GCF	\$ 997,638	\$ 18,433	\$ 997,638	\$ 297
GCAA	219,355	14,250	219,355	0
<b>Total</b>	<b>\$ 1,216,993</b>	<b>\$ 32,683</b>	<b>\$ 1,216,993</b>	<b>\$ 297</b>

As discussed in Note 1, Georgia College & State University is included within the State's basic financial statements as part of the primary government. The accompanying basic financial statements are intended to supplement the State's CAFR by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of Georgia College & State University. Accordingly, the financial statements of the affiliated organizations mentioned above are not included in the accompanying basic financial statements. These affiliated organizations are considered potential component units of the State in accordance with section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

The nature and significance of the relationship between Georgia College & State University Foundation, Inc. and the primary government is such that exclusion from the reporting entity would render the State's CAFR misleading. These affiliated organizations have been determined to be significant to the State, and as such, are reported as component units in the State's CAFR.

## **Required Supplementary Information**

**Georgia College & State University  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Teachers Retirement System of Georgia  
For the Last Two Fiscal Years**

	<u>Year Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Teachers Retirement System of Georgia	6/30/2016	0.262%	\$ 39,820,978	\$ 27,503,201	144.79%	81.44%
Teachers Retirement System of Georgia	6/30/2015	0.254%	\$ 32,089,929	\$ 25,952,283	123.65%	84.03%

**Georgia College & State University  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Employees' Retirement System of Georgia  
For the Last Two Fiscal Years**

	<u>Year Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Employees' Retirement System of Georgia	6/30/2016	0.012%	\$ 471,664	\$ 271,351	173.82%	76.20%
Employees' Retirement System of Georgia	6/30/2015	0.011%	\$ 405,667	\$ 243,543	166.57%	77.99%



**Georgia College & State University  
Required Supplementary Information  
Schedule of Contributions  
Teachers Retirement System of Georgia  
For the Last Ten Fiscal Years**

	<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency(Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
Teachers Retirement System of Georgia	6/30/2016	\$ 4,334,213	\$ 4,334,213	\$ -	\$ 30,403,885	14.27%
Teachers Retirement System of Georgia	6/30/2015	\$ 3,616,671	\$ 3,616,671	\$ -	\$ 27,503,201	13.15%
Teachers Retirement System of Georgia	6/30/2014	\$ 3,186,940	\$ 3,186,940	\$ -	\$ 25,952,283	12.28%
Teachers Retirement System of Georgia	6/30/2013	\$ 2,871,462	\$ 2,871,462	\$ -	\$ 25,166,187	11.41%
Teachers Retirement System of Georgia	6/30/2012	\$ 2,546,382	\$ 2,546,382	\$ -	\$ 24,770,253	10.28%
Teachers Retirement System of Georgia	6/30/2011	\$ 2,487,096	\$ 2,487,096	\$ -	\$ 24,193,541	10.28%
Teachers Retirement System of Georgia	6/30/2010	\$ 2,358,204	\$ 2,358,204	\$ -	\$ 24,211,540	9.74%
Teachers Retirement System of Georgia	6/30/2009	\$ 2,269,337	\$ 2,269,337	\$ -	\$ 24,454,062	9.28%
Teachers Retirement System of Georgia	6/30/2008	\$ 2,141,263	\$ 2,141,263	\$ -	\$ 23,073,955	9.28%
Teachers Retirement System of Georgia	6/30/2007	\$ 1,991,790	\$ 1,991,790	\$ -	\$ 21,463,254	9.28%

**Georgia College & State University  
Required Supplementary Information  
Schedule of Contributions  
Employees' Retirement System of Georgia  
For the Last Ten Fiscal Years**

	<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency(Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
Employees' Retirement System of Georgia	6/30/2016	\$ 63,597	\$ 63,597	\$ -	\$ 254,952	24.72%
Employees' Retirement System of Georgia	6/30/2015	\$ 59,589	\$ 59,589	\$ -	\$ 271,351	21.96%
Employees' Retirement System of Georgia	6/30/2014	\$ 44,958	\$ 44,958	\$ -	\$ 243,543	18.46%
Employees' Retirement System of Georgia	6/30/2013	\$ 33,653	\$ 33,653	\$ -	\$ 225,859	14.90%
Employees' Retirement System of Georgia	6/30/2012	\$ 16,582	\$ 16,582	\$ -	\$ 142,580	11.63%
Employees' Retirement System of Georgia	6/30/2011	\$ 9,133	\$ 9,133	\$ -	\$ 87,733	10.41%
Employees' Retirement System of Georgia	6/30/2010	\$ 11,285	\$ 11,285	\$ -	\$ 108,405	10.41%
Employees' Retirement System of Georgia	6/30/2009	\$ 16,329	\$ 16,329	\$ -	\$ 182,536	10.41%
Employees' Retirement System of Georgia	6/30/2008	\$ 12,408	\$ 12,408	\$ -	\$ 132,431	10.41%
Employees' Retirement System of Georgia	6/30/2007	\$ 9,402	\$ 9,402	\$ -	\$ 90,320	10.41%

Georgia College & State University  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

**Teachers Retirement System**

**Changes of assumptions:** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**Changes of assumptions:** There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% – 4.625% for FY 2012-2013, 5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation