

# GEORGIA COLLEGE & STATE UNIVERSITY

## Financial Report

For the Year Ended  
June 30, 2010

Georgia College & State University

Milledgeville, Georgia

---

Dorothy Leland  
President

---

Peter W. Shields  
Vice President for Business & Finance

GEORGIA COLLEGE & STATE UNIVERSITY  
ANNUAL FINANCIAL REPORT  
FY 2010

*Table of Contents*

Management’s Discussion and Analysis .....	1
Statement of Net Assets .....	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows .....	12
Note 1. Summary of Significant Accounting Policies .....	14
Note 2. Deposits and Investments.....	21
Note 3. Accounts Receivable.....	26
Note 4. Inventories.....	26
Note 5. Notes/Loans Receivable.....	26
Note 6. Capital Assets.....	27
Note 7. Deferred Revenue.....	28
Note 8. Long-Term Liabilities .....	28
Note 9. Significant Commitments.....	28
Note 10. Lease Obligations.....	28
Note 11. Retirement Plans .....	33
Note 12. Risk Management.....	36
Note 13. Contingencies.....	37
Note 14. Post-Employment Benefits Other Than Pension Benefits .....	37
Note 15. Natural Classifications with Functional Classifications .....	39
Note 16. Component Units .....	40

# GEORGIA COLLEGE & STATE UNIVERSITY

## *Management's Discussion and Analysis*

### ***Introduction***

Georgia College & State University is one of the 35 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 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 offers selected graduate programs. 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.

The University offers baccalaureate and masters degrees in a wide variety of subjects including the Arts and Sciences, Business, Education and Health Sciences, as well as, Pre-Professional studies. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 6,600 students in fiscal year 2010. There are over 5,900 students enrolled on the Milledgeville campus. The institution continues to grow as shown by the comparison numbers that follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2010		6,633	6,159
FY2009	269	6,506	6,033
FY2008	306	6,249	5,815

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

Georgia College & State University is proud to present its financial statements for fiscal year 2010. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for FY 2010 and FY 2009.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the [University](#) as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of [Georgia College & State University](#). The Statement of Net Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). The difference between current and non-current assets will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors.

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets 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 net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

### Statement of Net Assets, Condensed

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>Assets:</b>		
Current Assets	\$24,361,575	\$17,126,563
Capital Assets, net	155,070,031	148,571,433
Other Assets	8,010,280	7,506,594
<b>Total Assets</b>	<u>187,441,886</u>	<u>173,204,590</u>
<b>Liabilities:</b>		
Current Liabilities	12,336,122	11,445,915
Noncurrent Liabilities	109,560,376	100,990,865
<b>Total Liabilities</b>	<u>121,896,498</u>	<u>112,436,780</u>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt	49,830,192	52,087,854
Restricted - nonexpendable	3,189,665	3,069,036
Restricted - expendable	4,851,633	4,786,679
Capital Projects	0	0
Unrestricted	7,673,898	824,241
<b>Total Net Assets</b>	<u><u>\$65,545,388</u></u>	<u><u>\$60,767,810</u></u>

The total assets of the institution increased by \$14,237,296 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$6,498,598 in the category of Capital Assets, net. The balance of the increase is mainly in receivable categories.

The total liabilities for the year increased by \$9,459,718 . The combination of the increase in total assets of \$14,237,296 and the increase in total liabilities of \$9,459,718 yields an increase in total net assets of \$4,777,578 . The increase in total net assets is primarily in the category of Unrestricted Net Assets of \$6,849,657 less Invested in Capital Assets, net of debt, in the amount of (\$2,257,662).

## *Statement of Revenues, Expenses and Changes in Net Assets*

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. 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 speaking 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 Assets, Condensed

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating Revenues	\$58,616,760	\$53,681,817
Operating Expenses	<u>93,749,472</u>	<u>94,803,241</u>
Operating Loss	(35,132,712)	(41,121,424)
Nonoperating Revenues and Expenses	<u>38,027,803</u>	<u>36,158,690</u>
Income (Loss) Before other revenues, expenses, gains or losses	2,895,091	(4,962,734)
Other revenues, expenses, gains or losses	<u>1,882,487</u>	<u>5,483,048</u>
Increase in Net Assets	4,777,578	520,314
Net Assets at beginning of year, as originally reported	60,767,810	60,247,496
Prior Year Adjustments	<u>0</u>	<u>0</u>
Net Assets at beginning of year, restated	<u>60,767,810</u>	<u>60,247,496</u>
Net Assets at End of Year	<u><u>\$65,545,388</u></u>	<u><u>\$60,767,810</u></u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects [a positive year with an increase in the net assets at the end of the year](#). Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

Revenue by Source  
For the Years Ended June 30, 2010 and June 30, 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating Revenue		
Tuition and Fees	\$32,675,762	\$28,441,570
Federal Appropriations	0	0
Grants and Contracts	586,863	595,391
Sales and Services	1,410,153	1,080,322
Auxiliary	23,221,286	22,792,501
Other	722,696	772,033
Total Operating Revenue	<u>58,616,760</u>	<u>53,681,817</u>
Nonoperating Revenue		
State Appropriations	26,330,416	32,078,732
Federal Stimulus - Stabilization Funds	5,163,499	317,257
Grants and Contracts	8,274,028	5,697,863
Gifts	2,207,564	3,015,643
Investment Income	728,046	(213,959)
Other	25,705	2,240
Total Nonoperating Revenue	<u>42,729,258</u>	<u>40,897,776</u>
Capital Gifts and Grants		
State	1,882,487	5,097,001
Other Capital Gifts and Grants	0	386,047
Total Capital Gifts and Grants	<u>1,882,487</u>	<u>5,483,048</u>
Total Revenues	<u>\$103,228,505</u>	<u>\$100,062,641</u>

Expenses (By Functional Classification)  
For the Years Ended June 30, 2010 and June 30, 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating Expenses		
Instruction	\$33,182,312	\$32,510,214
Research	329,625	327,014
Public Service	253,659	200,582
Academic Support	10,868,134	9,807,469
Student Services	5,910,964	6,208,628
Institutional Support	10,733,351	10,818,695
Plant Operations and Maintenance	11,425,328	12,423,381
Scholarships and Fellowships	2,275,179	1,598,249
Auxiliary Enterprises	18,770,920	20,909,009
Unallocated Expenses	0	0
Patient Care (MCG only)	0	0
Total Operating Expenses	<u>93,749,472</u>	<u>94,803,241</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	4,701,455	4,739,086
Total Expenses	<u>\$98,450,927</u>	<u>\$99,542,327</u>

Operating revenues increased by \$4,934,943 in fiscal 2010. Although Tuition & Fees did not increase, the charge per credit hour extended from twelve credit hours to fifteen credit hours. With increased enrollment and the credit hour charge extended from twelve to fifteen hours, revenue for Student Tuition and Fees increased. An increase in revenues for Sales and Services and Auxiliary Enterprises was also realized

The Auxiliary revenue increase of \$428,785 is a result of the changing environment of residential life on the University's campus. The Freshmen residency requirement is in place; thereby, producing related increases in Residence Halls, Food Service and Vending Operations. In addition, since there are increasing numbers of students at the Milledgeville campus, mandatory fee revenues for Parking/Transportation, Health Services and Athletics have increased. Of significance for Auxiliaries are the capital leases that were entered into with the Georgia College & State University Foundation, Inc., a related party, for the student residential facilities and the Irwin Street Parking Facility. The University has operated the student residential facilities under the capital lease since June 2007. The university has also entered into a capital lease with the USG Real Estate Foundation I, LLC and the Board of Regents for use of Georgia College & State University for the Campus Theatre.

Nonoperating revenues increased by \$1,869,113 for the year even though there was a decrease of (\$5,748,316) in State Appropriations which was partially offset by an increase in Federal Stimulus Funds, nonoperating Grants and Contracts, and Investment Income.

The compensation and employee benefits category increased by \$1,129,255 and primarily affected the Instruction, Academic Support and Plant Operations and categories. The increase reflects an increased faculty and the cost of health insurance for the employees of the institution.

Utilities decreased by (\$588,047) during the past year. The decrease was primarily associated with the energy conservation program of the University.

### ***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. 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 Assets.

## Cash Flows for the Years Ended June 30, 2010 and 2009, Condensed

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Cash Provided (used) By:		
Operating Activities	(\$31,004,859)	(\$32,942,836)
Non-capital Financing Activities	42,206,276	41,103,096
Capital and Related Financing Activities	(6,925,265)	(7,117,217)
Investing Activities	<u>305,023</u>	<u>689,679</u>
Net Change in Cash	4,581,175	1,732,722
Cash, Beginning of Year	<u>12,823,875</u>	<u>11,091,153</u>
Cash, End of Year	<u><u>\$17,405,050</u></u>	<u><u>\$12,823,875</u></u>

### ***Capital Assets***

The University had one significant capital asset additions for facilities in fiscal year 2010. The Campus Theatre renovation was completed and it was opened as a Black Box Theatre, Bookstore and Coffee Shop. Construction of the Campus Theatre was completed and placed into service in March 2010. This project is through a Capital Lease Agreement with the USG Real Estate Foundation I, LLC and the Board of Regents for the use of Georgia College & State University. The amount of the project is \$8,385,111 and is financed for 30 years at rates from 4.0% to 6.25%.

Construction began on the Herty Science Building addition and is being financed through the Georgia State Financing and Investment Commission (GSFIC).

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 9 in the notes to the financial statements.

### ***Long Term Debt and Liabilities***

Georgia College & State University had Long-Term Debt and Liabilities of \$112,056,834 of which \$2,554,523 was reflected as current liability at June 30, 2010.

For additional information concerning Long-Term Debt and Liabilities, see notes 1 and 8 in the Notes to the Financial Statements.

### ***Component Units***

In compliance with GASB Statement No. 39, Georgia College & State University has included the financial statements and notes for all required component units for FY2010. The Georgia College & State University Foundation had investments of \_\_\_\_\_ million as of June 30, 2010 and had long-term debt of \_\_\_\_\_ million in the form of two bond issues. The Georgia College & State University Alumni Association had investments of \_\_\_\_\_ million. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

### ***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 variations having a global effect on virtually all types of business operations. The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate a modest increase in Net Assets. The University anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

\_\_\_\_\_, President  
Dorothy Leland  
Georgia College & State University

*Statement of Net Assets*

**GEORGIA COLLEGE & STATE UNIVERSITY**

**STATEMENT OF NET ASSETS**

**June 30, 2010**

	<u>June 30, 2010</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 17,353,979.00
Short-term Investments	
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	987,028.00
Receivables - State General Appropriations Allotment Margin Allocation Funds	
Receivables - Other	4,165,636.00
Due From Component Units	57,793.00
Inventories (note 4)	53,063.00
Prepaid Items	1,744,076.00
Other Assets	
Total Current Assets	<u>24,361,575.00</u>
<b>Noncurrent Assets</b>	
Noncurrent Cash	51,071.00
Short-term Investments	
Investments (Externally Restricted)	3,625,652.00
Due from Component Units	
Investments	1,453,673.00
Notes Receivable, net	2,879,884.00
Capital Assets, net (note 6)	155,070,031.00
Total Noncurrent Assets	<u>163,080,311.00</u>
<b>TOTAL ASSETS</b>	<u><u>187,441,886.00</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	1,614,164.00
Salaries Payable	385,675.00
Benefits Payable	
Contracts Payable	142,405.00
Deposits	486,779.00
Deferred Revenue (note 7)	5,313,250.00
Other Liabilities	791,366.00
Deposits Held for Other Organizations	1,032,067.00
Lease Purchase Obligations (current portion)	826,016.00
Compensated Absences (current portion)	1,728,507.00
US DOE Settlement (current portion)	0.00
Due to Component Units	15,893.00
Notes and Loans Payable (current portion)	
Total Current Liabilities	<u>12,336,122.00</u>
<b>Noncurrent Liabilities</b>	
Lease Purchase Obligations (noncurrent)	108,694,032.00
Deferred Revenue (noncurrent)	58,065.00
Compensated Absences (noncurrent)	808,279.00
US DOE Settlement (noncurrent)	
Due to Component Units	
Notes and Loans Payable (noncurrent)	
Total Noncurrent Liabilities	<u>109,560,376.00</u>
<b>TOTAL LIABILITIES</b>	<u><u>121,896,498.00</u></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	49,830,192.00
Restricted for	
Nonexpendable	3,189,665.00
Expendable	4,851,633.00
Capital Projects	0.00
Unrestricted	7,673,898.00
<b>TOTAL NET ASSETS</b>	<u><u>\$65,545,388.00</u></u>

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

**GEORGIA COLLEGE & STATE UNIVERSITY**  
**STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS**  
**for the Year Ended June 30, 2010**

	<b>June 30, 2010</b>
<b>REVENUES</b>	
Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$38,474,895.00
Less: Scholarship Allowances	(5,799,133.00)
Federal Appropriations	
Grants and Contracts	
Federal	542,107.00
Federal Stimulus	
State	11,249.00
Other	33,507.00
Sales and Services	1,410,153.00
Rents and Royalties	38,146.00
Auxiliary Enterprises	
Residence Halls	11,807,480.00
Bookstore	569,072.00
Food Services	5,751,498.00
Parking/Transportation	1,251,344.00
Health Services	1,104,524.00
Intercollegiate Athletics	2,400,956.00
Other Organizations	336,412.00
Other Operating Revenues	684,550.00
Total Operating Revenues	58,616,760.00
<b>EXPENSES</b>	
Operating Expenses	
Salaries:	
Faculty	21,638,040.00
Staff	23,365,098.00
Employee Benefits	13,128,714.00
Other Personal Services	631,844.00
Travel	645,924.00
Scholarships and Fellowships	3,093,468.00
Utilities	3,638,279.00
Supplies and Other Services	21,218,537.00
Depreciation	6,389,568.00
Total Operating Expenses	93,749,472.00
Operating Income (loss)	(35,132,712.00)

*Statement of Revenues, Expenses and Changes in Net Assets, Continued*

**GEORGIA COLLEGE & STATE UNIVERSITY**  
**STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS**  
**for the Year Ended June 30, 2010**

	<b>June 30, 2010</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	26,330,416.00
Federal Stimulus - Stabilization Funds	5,163,499.00
Grants and Contracts	
Federal	7,213,007.00
Federal Stimulus	
State	64,756.00
Other	996,265.00
Gifts	2,207,564.00
Investment Income (endowments, auxiliary and other)	728,046.00
Interest Expense (capital assets)	(4,701,455.00)
Other Nonoperating Revenues	25,705.00
Net Nonoperating Revenues	38,027,803.00
Income before other revenues, expenses, gains, or loss	2,895,091.00
Capital Grants and Gifts	
Federal	
State	1,882,487.00
Other	
Special Item - Capital Asset Transfer	
Special Item - Bond Defeasance	
Total Other Revenues	1,882,487.00
Increase in Net Assets	4,777,578.00
<b>NET ASSETS</b>	
Net Assets-beginning of year, as originally reported	60,767,810.00
Prior Year Adjustments	
Net Assets-beginning of year, restated	60,767,810.00
Net Assets-End of Year	\$65,545,388.00

**Statement of Cash Flows**

**GEORGIA COLLEGE & STATE UNIVERSITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2010**

	<u>June 30, 2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$33,227,736
Federal Appropriations	
Grants and Contracts (Exchange)	(47,358)
Sales and Services	1,410,153
Payments to Suppliers	(38,510,918)
Payments to Employees	(44,863,361)
Payments for Scholarships and Fellowships	(3,093,468)
Loans Issued to Students and Employees	(322,360)
Collection of Loans to Students and Employees	470,208
Auxiliary Enterprise Charges:	
Residence Halls	11,580,610
Bookstore	713,706
Food Services	5,798,129
Parking/Transportation	1,273,876
Health Services	(253,201)
Intercollegiate Athletics	2,397,061
Other Organizations	(564,813)
Other Receipts (payments)	(220,859)
Net Cash Provided (used) by Operating Activities	(31,004,859)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	26,330,416
Federal Stimulus - Stabilization Funds	5,163,499
Agency Funds Transactions	207,622
Gifts and Grants Received for Other Than Capital Purposes	10,504,739
Principal Paid on Installment Debt	
Interest Paid on Installment Debt	
Other Nonoperating Receipts	
Net Cash Flows Provided by Non-capital Financing Activities	42,206,276
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Gifts and Grants Received	1,270,783
Proceeds from Sale of Capital Assets	810,840
Purchases of Capital Assets	(3,657,638)
Principal Paid on Capital Debt and Leases	(647,795)
Interest Paid on Capital Debt and Leases	(4,701,455)
Net Cash used by Capital and Related Financing Activities	(6,925,265)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	1,586,871
Interest on Investments	120,417
Purchase of Investments	(1,402,265)
Net Cash Provided (used) by Investing Activities	305,023
Net Increase/Decrease in Cash	4,581,175
Cash and Cash Equivalents - Beginning of year	12,823,875
Cash and Cash Equivalents - End of Year	<u>\$17,405,050</u>

*Statement of Cash Flows, Continued*

**GEORGIA COLLEGE & STATE UNIVERSITY**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2010**

June 30, 2010

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

Operating Income (loss)	(\$35,132,712)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	6,389,568
Change in Assets and Liabilities:	
Receivables, net	(1,370,343)
Inventories	(18,908)
Other Assets	5,864
Prepaid Items	(1,493,096)
Notes Receivable, Net	147,848
Accounts Payable	480,643
Deferred Revenue	(225,980)
Other Liabilities	87,943
Compensated Absences	124,314
Net Cash Provided (used) by Operating Activities	<u><u>(\$31,004,859)</u></u>

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

Fixed assets acquired by incurring capital lease obligations	\$9,332,774
Non-capital items acquired by incurring capital lease obligations	
Change in accounts receivable related to private gifts	
Change in receivable from State Agency affecting proceeds of capital debt	
Change in fair value of investments recognized as a component of interest income	\$607,629
Change in interest receivable affecting interest received	
Bond issuance costs reducing proceeds of long-term debt	
Special Item - Capital Asset Transfer	
Special Item - Bond Defeasance	
Change in accrued interest payable affecting interest paid	
Amortization of bond issuance costs reducing interest paid	
Interest on capital debt paid by State Agency on behalf of University	
Principal on capital debt paid by State Agency on behalf of University	
Gift reducing proceeds of Gifts and Grants received for other than capital purposes	
Gift of capital assets reducing proceeds of capital gifts and grants	(\$611,704)

# GEORGIA COLLEGE & STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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

#### **Nature of Operations**

Georgia College & State University 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**

Georgia College & State University is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Georgia College & State University as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Georgia College & State University does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Georgia College & State University is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Component units are organizations included in the reporting entity because of the significant of their operational or financial relationships with Georgia College & State University. For fiscal year 2010, Georgia College & State University Foundation, Inc. and the Georgia College & State University Alumni Association, Inc. are reported as discretely presented component units.

See Note 16, Component Units, for Foundation notes.

### **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 [University](#)'s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be between fiscal years rather than in one fiscal year. Due to the lack of materiality, Institutions of the University System of Georgia will continue to report summer revenues and expenses in the year in which the predominant activity takes place.

### **New Accounting Pronouncements**

In fiscal year 2010, [Georgia College & State University](#) adopted the Governmental Accounting and Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*. The provisions of this Statement generally required retroactive reporting for intangible assets acquired after June 30, 1980, with the exception of those intangible assets that have indefinite useful lives and those that are considered internally generated.

In addition, [Georgia College & State University](#) adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The provisions of this Statement impacts disclosure regarding derivative instruments entered into by the state and local governments. Derivative disclosures, if any, will be identified in Note 2.

### **Basis of Accounting**

For financial reporting purposes, the [University](#) is considered a special-purpose government engaged only in business-type activities. Accordingly, the [University](#)'s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, except as noted in the preceding paragraph. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-[University](#) transactions have been eliminated.

The [University](#) has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The [University](#) has elected to not apply FASB pronouncements issued after the applicable date.

### **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. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months. This would include certificates of deposits or other time restricted investments with original maturities of six months

or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

### **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 [University](#) 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 Assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under 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 each residing in the State of Georgia. 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 [University'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.](#)

### **Noncurrent 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 Assets.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the [University'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 will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an

organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the [University](#) when complete. For projects managed by the [University](#), the [University](#) retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2010, GSFIC transferred capital additions valued at \$1,882,487 to [Georgia College & State University](#).

### **Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in a [University](#) residence hall.

### **Deferred Revenues**

Deferred revenues 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **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 Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. [Georgia College & State University](#) had accrued liability for compensated absences in the amount of \$2,412,472 as of 7-1-2009. For FY2010, \$1,791,957 was earned in compensated absences and employees were paid \$1,667,643 , for a net increase of \$124,314 . The ending balance as of 6-30-2010 in accrued liability for compensated absences was \$2,536,786 .

### **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.

### **Net Assets**

The [University](#)'s net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the [University](#)'s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. 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.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of 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 either be expended or added to principal. The [University](#) may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the [University](#) is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Expendable Restricted Net Assets include the following:

	<u>June 30, 2010</u>
Restricted - E&G and Other Organized Activities	\$1,048,297
Federal Loans	2,972,552
Institutional Loans	830,784
Term Endowments	
Quasi-Endowments	
Health Insurance Reserve (USO only)	
Total Restricted Expendable	<u><u>\$4,851,633</u></u>

*Restricted net assets – expendable – Capital Projects:* This represents resources for which the [University](#) is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent 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 [University](#), and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the office of Treasury and Fiscal Services. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted Net Assets includes the following items which are quasi-restricted by management.

	<u>June 30, 2010</u>
R & R Reserve	\$10,697,381
Reserve for Encumbrances	10,326,361
Reserve for Inventory	
Other Unrestricted	(13,349,844)
Total Unrestricted Net Assets	<u>\$7,673,898</u>

When an expense is incurred that can be paid using either restricted or unrestricted resources, the [University](#)'s policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

### **Income Taxes**

[Georgia College & State University](#), as a political subdivision of the State of Georgia, 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 Assets classify fiscal year activity as operating and non-operating according to the following criteria:

**Operating Revenues:** 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 revenues:** 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 Expenses:** 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**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the [University](#), 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 nongovernmental programs are recorded as either operating or nonoperating revenues in the [University](#)'s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the [University](#) has recorded contra revenue for scholarship allowances.

Intercollegiate Athletics awarded \$764,635 in scholarships. The allowance amount was \$487,162 resulting in a net expense allocation of \$277,473.

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

### **A. Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) 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, 2010, the carrying value of deposits was \$17,232,015 and the bank balance was \$17,305,608. Of the University's deposits, \$0 were uninsured. Of these uninsured deposits, \$0 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$51,071 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name and \$0 were uncollateralized.

## B. Investments

Georgia College & State University 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 University's investments as of June 30, 2010 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment type	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
<b>Debt Securities</b>					
U.S. Treasuries	\$96,958				\$96,958
U.S. Agencies					
Explicitly Guaranteed	0				
Implicitly Guaranteed	0				
Certificates of Deposit	0				
Corporate Debt	0				
General Obligation Bonds	0				
Mortgage-Backed Securities-Commercial	0				
Municipal Obligation	0				
Mutual Bond Fund	1,177,425		462,689	537,632	177,104
Repurchase Agreements	0				
	<u>\$1,274,383</u>	<u>\$0</u>	<u>\$462,689</u>	<u>\$537,632</u>	<u>\$274,062</u>
<b>Other Investments</b>					
Bond/Equity Mutual Funds					
Equity Mutual Funds	688,228				
Equity Securities - Domestic	1,266,339				
Equity Securities - International	71,907				
Real Estate Held for Investment Purposes					
Real Estate Investment Fund	46,655				
Cash Surrender Value					
<b>Investment Pools</b>					
Board of Regents					
Short-Term Fund					
Legal Fund					
Balanced Income Fund					
Total Return Fund	1,631,813				
Diversified Fund					
Office of Treasury and Fiscal Services					
Georgia Fund I	282,239				
Georgia Extended Asset Pool					
	<u>\$5,231,564</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 – Administrative Central 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.state.ga.us/internet/searchRpts.html>.

The Georgia College & State University endowment funds are managed by the Georgia College & State University Foundation, Inc. through a management agreement. The value of the investments is included in the University's financial statements.

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$\_\_\_\_ per share. The Georgia Fund 1 Investment Pool is an **AAAm** rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is \_\_\_\_ days.

#### 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 on April 17, 2008 is:

#### Fixed Income:

1. Fixed income investments shall be limited to government, government agency, and corporate instruments having minimum investment grade credit ratings of "Baa" by Moody's, "BBB" by Standard & Poor's, unless specifically approved as an exception by the Committee.
2. Except for government and agency issues, no more than ten (10) percent of the market value of the portfolio should be invested in any one issue, nor 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 5% to 15% of the investment portfolio and Fixed Income is 25% to 35% of the investment portfolio.

The Effective Duration of the Total Return Fund is \_\_\_\_ years. Of the University's total investment of \$ \_\_\_\_\_ in the Total Return Fund, \$ \_\_\_\_\_ 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 college/university 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 policy for managing Custodial Credit Risk as adopted by the Georgia College & State University Foundation's Investment Committee on April 17, 2008 is:

1. The investment manager(s)'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 rates of return of the applicable indices.
  - 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 Shearson Lehman (now Barclays) Government Corporate Bond Index.
2. The investment manager(s) can be responsible for custody of securities. If the investment manager 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 mean best-realized net price.

At June 30, 2010, \$1,722,032 of the University's applicable investments, a one-third interest in the Gilbert Fund, were uninsured and held by the investment's counterparty's trust department or agent, but not in the University'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's policy for managing interest rate risk as adopted by the Georgia College & State University Foundation's Investment Committee on April 17, 2008 is:

1. Fixed income investments shall be limited to government, government agency, and corporate instruments having a minimum investment grade credit ratings of "Baa" by

Moody's, "BBB" by Standard & Poor's, unless specially approved as an exception by the Committee.

2. Except for government and agency issues, no more than ten (10) percent of the market value of the portfolio should be invested in any one issue, nor more than twenty (20) percent of the market value in any one industry,, unless specifically approved as an exception by the Committee.

The investments subject to credit quality risk are reflected below:

**Credit Quality Risk**

	Fair Value	AAA	AA	A	BBB	BB	Unrated
<b>Related Debt Investments</b>							
U.S. Agencies	\$0						
Certificates of Deposit	0						
Corporate Debt	0						
General Obligation Bonds	0						
Mortgage-Backed Securities-Commercial	0						
Municipal Obligation	0						
Mutual Bond Fund	0						
Repurchase Agreements - Underlying U.S. Agency Securities	0						
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Foreign Currency Risk**

Currency	Short-Term	Debt	Equity	Total
Argentine peso	\$0	\$0	\$0	\$0
Aruban guilder				0
Australian dollar				0
Total Securities subject to foreign currency risk	0	0	0	0
United States dollars (securities held by International investment managers)				<u>0</u>
Total international investment securities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### **Note 3. Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2010:

	<u>June 30, 2010</u>
Student Tuition and Fees	\$25,242
Auxiliary Enterprises and Other Operating Activities	765,835
Federal Financial Assistance	987,028
State General Appropriations Allotment	
Georgia State Financing and Investment Commission	712,955
Margin Allocation Funds	
Due from Component Units	57,793
Other	2,686,375
	<u>5,235,228</u>
Less Allowance for Doubtful Accounts	24,771
Net Accounts Receivable	<u><u>\$5,210,457</u></u>

### **Note 4. Inventories**

Inventories consisted of the following at June 30, 2010:

	<u>June 30, 2010</u>
Bookstore	\$5,434
Food Services	
Physical Plant	
Other	47,629
	<u>53,063</u>
Total	<u><u>\$53,063</u></u>

### **Note 5. Notes/Loans Receivable**

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2010. 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 [University](#) for amounts cancelled under these provisions. As the [University](#) 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 [University](#) 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, 2010 the allowance for uncollectible loans is \$     -0-    .

**Note 6. Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2010:

	(Restated)		
	Beginning		
	Balances		
	7/1/2009	Additions	Reductions
<b>Capital Assets, Not Being Depreciated:</b>			
Land	\$1,369,560		
Capitalized Collections	0		
Construction Work-in-Progress	487,517	2,094,775	889,401
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,857,077</b>	<b>2,094,775</b>	<b>889,401</b>
<b>Capital Assets, Being Depreciated/Amortized:</b>			
Infrastructure	0		
Building and Building Improvements	81,142,134	1,237,747	455,838
Facilities and Other Improvements	867,019		
Equipment	9,669,681	1,479,125	605,699
Capital Leases	97,937,944	8,970,952	
Library Collections	7,605,535	447,290	6,035
Capitalized Collections	166,300		
Water, Timber, and Mineral Rights and Easements	0		
Patents, Trademarks, and Copyrights	0		
Software	0		
<b>Total Assets Being Depreciated/Amortized</b>	<b>197,388,613</b>	<b>12,135,114</b>	<b>1,067,572</b>
<b>Less: Accumulated Depreciation/Amortization</b>			
Infrastructure	0		
Buildings	30,904,045	1,706,314	27,350
Facilities and Other improvements	755,578	22,759	
Equipment	6,020,249	920,403	578,540
Capital Leases	6,806,690	3,458,889	3,325
Library Collections	6,135,050	276,833	6,035
Capitalized Collections	52,645	4,370	
Water, Timber, and Mineral Rights and Easements	0		
Patents, Trademarks, and Copyrights	0		
Software	0		
<b>Total Accumulated Depreciation/Amortization</b>	<b>50,674,257</b>	<b>6,389,568</b>	<b>615,250</b>
<b>Total Capital Assets, Being Depreciated/Amortized, Net</b>	<b>146,714,356</b>	<b>5,745,546</b>	<b>452,322</b>
<b>Capital Assets, net</b>	<b>\$148,571,433</b>	<b>\$7,840,321</b>	<b>\$1,341,723</b>

### Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2010:

	<u>June 30, 2010</u>
Prepaid Tuition and Fees	\$5,255,883
Research	
Other Deferred Revenue	57,367
Totals	<u>\$5,313,250</u>

### Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2010</u>	<u>Current Portion</u>
<b>Leases</b>					
Lease Obligations	\$100,835,069	\$9,332,774	\$647,795	\$109,520,048	\$826,016
<b>Other Liabilities</b>					
Compensated Absences	2,412,472	1,791,957	1,667,643	2,536,786	1,728,507
USDOE Settlement	0			0	
Notes and Loans	0			0	
Total	<u>2,412,472</u>	<u>1,791,957</u>	<u>1,667,643</u>	<u>2,536,786</u>	<u>1,728,507</u>
<b>Total Long Term Obligations</b>	<u>\$103,247,541</u>	<u>\$11,124,731</u>	<u>\$2,315,438</u>	<u>\$112,056,834</u>	<u>\$2,554,523</u>

### Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$5,389,168 as of June 30, 2010. This amount is not reflected in the accompanying basic financial statements.

### Note 10. Lease Obligations

Georgia College & State University 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 2034. Expenditures for fiscal year 2010 were \$5,349,250 of which \$4,701,455 represented interest. Total principal paid on capital leases was \$647,795 for the fiscal year ended June 30, 2010. Interest rates range from 4.1 percent to 4.7 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2010:

Land	\$735,481
Buildings	96,466,083
Equipment	180,558
Total Assets Held Under Capital Lease	<u>\$97,382,122</u>

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Georgia College & State University had three capital leases with related entities in the current fiscal year. In June 2007, Georgia College & State University entered into a capital lease of \$94,350,650 at 4.715 percent with the Georgia College & State University Foundation, Inc., a discretely presented component unit, whereby the University leases Student Housing for a twenty-seven year period that began June 15, 2007 and expires March 24, 2034. In February 2005, the University entered into a capital lease of \$6,382,006 at 4.10 percent with the Georgia College & State University Foundation, Inc., a related party, whereby the University leases land and a building for a twenty-year period that began February 1, 2005 and expires June 30, 2025. In addition, Georgia College & State University entered into a capital lease of \$1,595,163 at 4.1 percent with the Georgia College & State University Foundation, Inc., whereby the University leases a Parking facility for a twenty-one year period that began September 1, 2004 and expires June 30, 2025. The outstanding liability at June 30, 2010 on these capital leases are \$ 93,742,999 for the Student Housing; \$ 5,169,511 for the Student Center and \$ 1,275,594 for the Parking facility. The University is responsible for operating costs such as repairs and utilities for these leases.

Georgia College & State University also has an additional real property capital lease with an unrelated party. The University entered into a capital lease for the Campus Theatre for \$8,385,000 at varying interest rates from 4.0 percent to 6.25 percent with the USG Real Estate Foundation I, LLC and the Board of Regents for the use of Georgia College & State University. This capital lease is for a 30 year period that began January 28, 2008.

Georgia College & State University also has a capital lease for equipment with an outstanding balance at June 30, 2010 in the amount of \$5,826.

## OPERATING LEASES

Georgia College & State University's non-cancellable operating leases having remaining terms fiscal year 2011; however, the possibility of non-renewal is remote. The subsequent four years are included in future commitments for Operating Leases. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. 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. Examples of property under operating leases are copiers and other small business equipment.

In fiscal year 2007, Georgia College & State University entered into a real property operating lease with the Georgia College & State University Foundation, Inc., a related party, for the Macon Graduate and Professional Programs from November 25, 2006 through November 26, 2009. The option to renew was exercised in November 2009.

Due to the growth of the Graduate and Professional Program at the Macon Center, the operating lease was amended on July 1, 2007 for an additional annual rental of \$75,000 for additional space. The agreement does contain an option to renew or extend the Agreement at the expiration of the term on a year-to-year basis for three (3) consecutive years. Under this Agreement, Georgia College & State University paid \$313,836 in the current year.

Following are the Operating Leases held by the University during fiscal year 2010:

<u>Property Leased</u>	<u>Location</u>	<u>Lessor</u>	<u>Annual Lease</u>
Macon Graduate & Professional Programs Center	433 Cherry St	GCSU Foundation	\$ 313,836
McComb Building	115 S. Wilkinson St Milledgeville, Ga	McComb Family Trust	\$ 28,884
Parking Lot	425 N Clark St Milledgeville, Ga	Wilkinson Colonial Properties	\$ 31,560
Storage	121 Blandy Rd, NW Milledgeville, Ga	Warehouse Solutions, LLC	\$ 13,500
Parking Lot	Tatnall St Milledgeville, Ga	Norfolk Southern Corp	\$ 691
Depot Building Easement	Greene St Milledgeville, Ga	Norfolk Southern Corp	\$ 240

Campus Theatre (Black Box Theatre to Academics)	Hancock St Milledgeville, Ga	GCSU Auxiliaries	\$ 17,500
--	---------------------------------	------------------	-----------

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2010, were as follows:

		Real Property and Equipment	
		Capital Leases	Operating Leases
Year Ending June 30:	Year		
2010	1	\$826,016	\$454,511
2011	2	1,026,319	454,511
2012	3	1,241,387	454,511
2013	4	1,471,838	454,511
2014	5	1,719,468	454,511
2015 through 2019	6-10	12,976,212	
2020 through 2024	11-15	22,216,933	
2025 through 2029	16-20	31,194,519	
2030 through 2034	21-25	33,780,314	
2035 through 2039	26-30	3,067,042	
2040 through 2044	31-35	0	
2045 through 2049	36-40	0	
Total minimum lease payments		109,520,048	2,272,555
Less: Interest			
Less: Executory costs (if paid)			
Principal Outstanding		\$109,520,048	

*Note to Colleges and Universities: The following note was added by request of the State Accounting Office. Please complete:*

Georgia College & State University's FY2010 expense for rental of real property and equipment under operating leases was \$406,211 .

**Note 11. Retirement Plans**

**Teachers Retirement System of Georgia**

**Plan Description**

Georgia College & State University participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly. TRS provides retirement allowances and other benefits for plan participants. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or from the Georgia Department of Audits and Accounts.

**Funding Policy**

Employees of Georgia College & State University who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. Georgia College & State University makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2010, the employer contribution rate was 9.74% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2010	100%	\$2,358,204
2009	100%	\$2,269,337
2008	100%	\$2,141,263

**Employees' Retirement System of Georgia**

**Plan Description**

Georgia College & State University participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia.

The benefit structure of ERS is defined by State statute and was significantly modified on July 1, 1982. Unless elected otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Employees hired on or after July 1, 1982, but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. 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.

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year, which may be obtained through ERS.

### **Funding Policy**

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The [University's](#) payroll for the year ended June 30, 2010, for employees covered by ERS was \$127,045 of which \$86,209 was under the new ERS plan and \$40,836 was under the old ERS plan. The [University's](#) total payroll for all employees was \$45,003,137.

For the year ended June 30, 2010 under the old plan, member contributions consist of 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Of these member contributions, the employee pays the first 1.25% and the [University](#) pays the remainder on behalf of the employee.

Under the new plan, member contributions consist solely of 1.25% of annual compensation paid by employee. The [University](#) also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2010, the ERS employer contribution rate for the [University](#) amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2010	100%	\$11,285
2009	100%	\$16,329
2008	100%	\$12,408

### **Actuarial and Trend Information**

Actuarial and historical trend information is presented in the ERS June 30, 2010 financial report, which may be obtained through ERS.

### **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 is 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 a principal administrator, 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 (AIG-VALIC, American Century, 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**

[Georgia College & State University](#) 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 2010, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

[Georgia College & State University](#) and the covered employees made the required contributions of \$1,549,782 (9.24%) and \$809,412 (5%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

Georgia College & State University participates in the Georgia Defined Contribution Plan (GDGP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

### **Benefits**

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

### **Contributions**

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2010 amounted to \$42,767 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

### ***Note 12. Risk Management***

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options – a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. Georgia College & State University and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare 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 University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the

employees of the University System of Georgia, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options 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. [Georgia College & State University](#), 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 13. 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 expenditures that are disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although [Georgia College & State University](#) expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against [Georgia College & State University](#) (an organizational unit of the Board of Regents 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, 2010.

### ***Note 14. 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 College 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. For the 2009 and 2010 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2010, there were 258 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2010, Georgia College & State University recognized as incurred \$1,001,864 of expenditures, which was net of \$516,173 of participant contributions.

**Note 15. Natural Classifications with Functional Classifications**

The University's operating expenses by functional classification for FY2010 are shown below:

Natural Classification	Functional Classification FY2010					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$19,708,834	\$135,847	\$23,276	\$1,572,318	\$87,530	
Staff	3,304,994	17,948	129,565	4219,519	3,149,056	5,177,574
Benefits	5,485,388	34,135	40,235	1,446,929	824,961	3,037,942
Personal Services	130,458	16,492	9,713	121,749	41,137	247,334
Travel	144,756	16,253	393	256,839	53,625	83,610
Scholarships and Fellowships	24,643	0	0	0	0	0
Utilities	88,358	0	1,520	187,692	39,081	102,368
Supplies and Other Services	3,294,562	107,196	48,957	1,992,108	1,498,334	1,629,066
Depreciation	1,000,319	1,754		1,070,980	217,240	455,457
<b>Total Expenses</b>	<b>\$33,182,312</b>	<b>\$329,625</b>	<b>\$23,659</b>	<b>\$10,868,134</b>	<b>\$5,910,964</b>	<b>\$10,733,351</b>

Natural Classification	Functional Classification FY2010					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	MCG only Patient Care	Total Expenses
Faculty			\$110,235			\$21,638,040
Staff	4,464,269		2,902,173			23,365,098
Benefits	1,527,501		731,623			13,128,714
Personal Services	(1,194,215)		1,259,176			631,844
Travel	3,500		86,948			645,924
Scholarships and Fellowships	0	2,275,179	793,646			3,093,468
Utilities	1,835,404		1,383,856			3,638,279
Supplies and Other Services	4,598,448		8,049,866			21,218,537
Depreciation	190,421		3,453,397			6,389,568
<b>Total Expenses</b>	<b>\$11,425,328</b>	<b>\$2,275,179</b>	<b>\$18,770,920</b>	<b>\$0</b>	<b>\$0</b>	<b>\$93,749,472</b>

***Note 16. Component Units***

(See separate file)