

# GEORGIA COLLEGE & STATE UNIVERSITY

## Financial Report

For the Year Ended  
June 30, 2011

Georgia College & State University

Milledgeville, Georgia

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Stas Preczewski  
Interim President

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Paul Jones  
Vice President for Administration &  
Operations

GEORGIA COLLEGE & STATE UNIVERSITY  
ANNUAL FINANCIAL REPORT  
FY 2011

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# 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".

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2011		6,737	6,258
Fiscal Year 2010	253	6,633	6,159
Fiscal Year 2009	269	6,506	6,033

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

Georgia College & State University is proud to present its financial statements for fiscal year 2011. 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 fiscal year 2011 and fiscal year 2010.

### ***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 noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the Notes 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

	June 30, 2011	June 30, 2010
<b>Assets:</b>		
Current Assets	\$ 26,986,456	\$ 24,361,575
Capital Assets, Net	153,419,993	155,070,031
Other Assets	7,946,812	8,010,280
<b>Total Assets</b>	<b>\$ 188,353,261</b>	<b>\$ 187,441,886</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 12,009,993	\$ 12,330,622
Noncurrent Liabilities	108,516,771	109,560,376
<b>Total Liabilities</b>	<b>\$ 120,526,764</b>	<b>\$ 121,890,998</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	\$ 48,917,172	\$ 49,830,192
Restricted - Nonexpendable	2,788,349	3,189,665
Restricted - Expendable	5,260,279	4,851,633
Capital Projects	-	-
Unrestricted	10,860,697	7,679,398
<b>Total Net Assets</b>	<b>\$ 67,826,497</b>	<b>\$ 65,550,888</b>

The total assets of the institution increased by \$911,375 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$4,659,916 in the category of Capital Cash and Cash Equivalents. The balance of the increase is offset by reductions mainly in Capital Assets, Receivable and Prepaid Items.

The total liabilities for the year increased by (\$1,364,234). The combination of the increase in total assets of \$911,375 and the increase in total liabilities of (\$1,364,234) yields an increase in total net assets of \$2,275,609. The increase in total net assets is primarily in the category of Invested in Unrestricted, in the amount of \$3,181,299.

### ***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, 2011</u>	<u>June 30, 2010</u>
Operating Revenues	\$ 66,100,134	\$ 58,616,760
Operating Expenses	<u>103,445,490</u>	<u>93,749,472</u>
Operating Loss	\$ (37,345,356)	\$ (35,132,712)
Nonoperating Revenues and Expenses	<u>35,484,603</u>	<u>38,033,303</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	\$ (1,860,753)	\$ 2,900,591
Other Revenues, Expenses, Gains or Losses	<u>2,402,613</u>	<u>1,882,487</u>
Increase in Net Assets	\$ 541,860	\$ 4,783,078
Net Assets at Beginning of Year, as Originally Reported	65,550,888	60,767,810
Prior Year Adjustments	1,733,749	-
Net Assets at Beginning of Year, Restated	<u>\$ 67,284,637</u>	<u>\$ 60,767,810</u>
Net Assets at End of Year	<u><u>\$ 67,826,497</u></u>	<u><u>\$ 65,550,888</u></u>

The Statement of Revenues, Expenses and Changes in Net Assets reflect 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, 2011 and June 30, 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Revenue		
Tuition and Fees	\$ 39,675,512	\$ 32,675,762
Federal Appropriations	-	-
Grants and Contracts	473,658	586,863
Sales and Services	1,623,682	1,410,153
Auxiliary	23,760,823	23,221,286
Other	566,459	722,696
Total Operating Revenue	<u>\$ 66,100,134</u>	<u>\$ 58,616,760</u>
Nonoperating Revenue		
State Appropriations	\$ 28,646,012	\$ 26,335,916
Federal Stimulus - Stabilization Funds	-	5,163,499
Grants and Contracts	9,451,912	8,274,028
Gifts	2,150,934	2,207,564
Investment Income	375,394	728,046
Other	17,234	25,705
Total Nonoperating Revenue	<u>\$ 40,641,486</u>	<u>\$ 42,734,758</u>
Capital Gifts and Grants		
State	2,356,613	1,882,487
Other Capital Gifts and Grants	46,000	-
Total Capital Gifts and Grants	<u>\$ 2,402,613</u>	<u>\$ 1,882,487</u>
Total Revenues	<u>\$ 109,144,233</u>	<u>\$ 103,234,005</u>

**Expenses (By Functional Classification)**  
**For the Years Ended June 30, 2011 and June 30, 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Expenses		
Instruction	\$ 36,928,022	\$ 33,182,312
Research	354,784	329,625
Public Service	588,664	253,659
Academic Support	12,163,725	10,868,134
Student Services	6,501,310	5,910,964
Institutional Support	11,918,721	10,733,351
Plant Operations and Maintenance	12,936,823	11,425,328
Scholarships and Fellowships	2,170,102	2,275,179
Auxiliary Enterprises	19,883,339	18,770,920
Total Operating Expenses	<u>\$ 103,445,490</u>	<u>\$ 93,749,472</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	5,156,883	4,701,455
Total Expenses	<u>\$ 108,602,373</u>	<u>\$ 98,450,927</u>

Operating revenues increased by \$7,483,374 in fiscal 2011. Although Tuition and Fees included a 19% increase, revenues decreased in Grants and Contracts, Auxiliary and Other categories.

The Other revenue decrease of (\$156,237) is primarily due to decreases in Application Fees, Lab Fees and Early College Revenue.

Non-operating revenues decreased by for the year primarily due to an decrease of (\$5,163,499) in federal stimulus..

The compensation and employee benefits category increased by \$6,447,079 and primarily affected the Instruction, Student Services, Institutional and Academic Support categories. The increase reflects the addition of faculty members, merit increases and an increased cost of health insurance for the employees of the institution.

Utilities increased by \$347,628 during the past year. The increase was primarily associated with the increased electric rate tariff during fiscal year 2011 and 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. 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, 2011 and 2010, Condensed

	June 30, 2011	June 30, 2010
Cash Provided (used) By:		
Operating Activities	\$ (27,875,102)	\$ (31,010,359)
Non-capital Financing Activities	40,506,981	42,211,776
Capital and Related Financing Activities	(8,157,796)	(6,925,265)
Investing Activities	284,541	305,023
Net Change in Cash	\$ 4,758,624	\$ 4,581,175
Cash, Beginning of Year	17,405,050	12,823,875
Cash, End of Year	\$ 22,163,674	\$ 17,405,050

### **Capital Assets**

The University had no significant capital asset additions for facilities in fiscal year 2011. No significant construction was completed nor placed into service early in fiscal year 2011. The University had \$2,936,330 of construction work in progress which relates primarily to an addition to Herty Hall. A 101,000 square foot Student Wellness Center is also under construction which is being funded through the Georgia Higher Education Facilities Authority (GHEFA) through the USG Real Estate Foundation III, LLC. The anticipated cost of this facility is \$ 28 Million dollars with a planned opening in Fall 2011.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 10 in the Notes to the Financial Statements.

### **Long-Term Liabilities**

Georgia College & State University had Long-Term Liabilities of \$111,104,146 which \$ 2,724,356 was reflected as current liability at June 30, 2011.

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



### ***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  
Georgia College & State University

## Statement of Net Assets

### GEORGIA COLLEGE & STATE UNIVERSITY STATEMENT OF NET ASSETS June 30, 2011

	<u>June 30, 2011</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 22,013,895
Short-term Investments	
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	371,860
Receivables - State General Appropriations	
Allotment	
Margin Allocation Funds	
Receivables - Other	3,481,105
Due From Affiliated Organizations	375,544
Inventories (note 4)	66,893
Prepaid Items	677,159
Other Assets	
Total Current Assets	<u>26,986,456</u>
<b>Noncurrent Assets</b>	
Noncurrent Cash	\$ 149,779
Short-term Investments	
Investments (Externally Restricted)	3,439,321
Due from Affiliated Organizations	
Investments	1,729,682
Notes Receivable, net	2,628,030
Capital Assets, net (note 6)	153,419,993
Other Assets	
Total Noncurrent Assets	<u>\$ 161,366,805</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 188,353,261</u></u>

*Statement of Net Assets Continued*

**GEORGIA COLLEGE & STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 2,529,433
Salaries Payable	1,345,741
Benefits Payable	
Contracts Payable	522,448
Deposits	465,979
Deferred Revenue (note 7)	2,302,881
Other Liabilities	830,719
Deposits Held for Other Organizations	1,244,371
Lease Purchase Obligations (current portion)	1,026,319
Compensated Absences (current portion)	1,699,766
US DOE Settlement (current portion)	
Due to Affiliated Organizations	42,336
Notes and Loans Payable (current portion)	
Total Current Liabilities	<u>\$ 12,009,993</u>

**Noncurrent Liabilities**

Lease Purchase Obligations (noncurrent)	\$ 107,667,713
Deferred Revenue (noncurrent)	138,710
Compensated Absences (noncurrent)	710,348
US DOE Settlement (noncurrent)	
Due to Affiliated Organizations	
Notes and Loans Payable (noncurrent)	
Other Noncurrent Liabilities	
Total Noncurrent Liabilities	<u>\$ 108,516,771</u>

<b>TOTAL LIABILITIES</b>	<u><u>\$ 120,526,764</u></u>
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**NET ASSETS**

Invested in Capital Assets, net of related debt	\$ 48,917,172
Restricted for	
Nonexpendable	2,788,349
Expendable	5,260,279
Capital Projects	
Unrestricted	10,860,697
<b>TOTAL NET ASSETS</b>	<u><u>\$ 67,826,497</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, 2011

### REVENUES

#### Operating Revenues

Student Tuition and Fees (net of allowance for doubtful accounts)	\$ 46,131,739
Less: Scholarship Allowances	(6,456,227)
Federal Appropriations	
Grants and Contracts	
Federal	45,1923
Federal Stimulus	
State	
Other	21,735
Sales and Services	1,623,682
Rents and Royalties	33,204
Auxiliary Enterprises	
Residence Halls	12,389,464
Bookstore	604,716
Food Services	5,406,871
Parking/Transportation	1,227,391
Health Services	1,239,977
Intercollegiate Athletics	2,450,821
Other Organizations	441,583
Other Operating Revenues	533,255
Total Operating Revenues	<u>\$ 66,100,134</u>

### EXPENSES

#### Operating Expenses

Salaries:	
Faculty	\$ 24,264,440
Staff	25,992,151
Employee Benefits	14,322,340
Other Personal Services	214,663
Travel	795,502
Scholarships and Fellowships	3,054,136
Utilities	3,985,907
Supplies and Other Services	24,238,224
Depreciation	6,578,127
Total Operating Expenses	<u>\$ 103,445,490</u>
Operating Income (loss)	<u>\$ (37,345,356)</u>

*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, 2011**

<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	\$ 28,646,012
Federal Stimulus - Stabilization Funds	
Grants and Contracts	
Federal	7,885,331
Federal Stimulus	141,674
State	93,185
Other	1,331,722
Gifts	2,150,934
Investment Income (endowments, auxiliary and other)	375,394
Interest Expense (capital assets)	(5,156,883)
Other Nonoperating Revenues	17,234
Net Nonoperating Revenues	<u>\$ 35,484,603</u>
Income before other revenues, expenses, gains, or loss	<u>\$ (1,860,753)</u>
Capital Grants and Gifts	
Federal	
State	2,356,613
Other	46,000
Special Item - Capital Asset Transfer	
Special Item - Bond Defeasance	
Total Other Revenues	<u>\$ 2,402,613</u>
Increase in Net Assets	<u>\$ 541,860</u>
<b>NET ASSETS</b>	
Net Assets-beginning of year, as originally reported	\$ 65,550,888
Prior Year Adjustments	<u>1,733,749</u>
Net Assets-beginning of year, restated	<u>67,284,637</u>
Net Assets-End of Year	<u><u>\$ 67,826,497</u></u>

## Statement of Cash Flows

### GEORGIA COLLEGE & STATE UNIVERSITY STATEMENT OF CASH FLOWS For the Year Ended June 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 39,891,309
Federal Appropriations	
Grants and Contracts (Exchange)	1,090,238
Sales and Services	1,623,682
Payments to Suppliers	(42,880,279)
Payments to Employees	(51,084,248)
Payments for Scholarships and Fellowships	(3,054,136)
Loans Issued to Students and Employees	(122,628)
Collection of Loans to Students and Employees	374,482
Auxiliary Enterprise Charges:	
Residence Halls	12,022,525
Bookstore	611,470
Food Services	5,523,764
Parking/Transportation	1,247,033
Health Services	2,642,706
Intercollegiate Athletics	2,529,301
Other Organizations	362,027
Other Receipts (payments)	1,347,652
Net Cash Provided (used) by Operating Activities	\$ (27,875,102)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	\$ 28,646,012
Federal Stimulus - Stabilization Funds	
Agency Funds Transactions	218,981
Gifts and Grants Received for Other Than Capital Purposes	11,641,988
Net Cash Flows Provided by Non-capital Financing Activities	\$ 40,506,981
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Gifts and Grants Received	\$ 2,356,613
Proceeds from Sale of Capital Assets	9,514
Purchases of Capital Assets	(4,541,024)
Principal Paid on Capital Debt and Leases	(826,016)
Interest Paid on Capital Debt and Leases	(5,156,883)
Net Cash used by Capital and Related Financing Activities	\$ (8,157,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	\$ 1,749,191
Interest on Investments	390,708
Purchase of Investments	(1,855,358)
Net Cash Provided (used) by Investing Activities	\$ 284,541
Net Increase/Decrease in Cash	4,758,624
Cash and Cash Equivalents - Beginning of year	17,405,050
Cash and Cash Equivalents - End of Year	<u>\$ 22,163,674</u>

## Statement of Cash Flows, Continued

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

Operating Income (loss)	\$ (37,345,356)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	6,578,127
Change in Assets and Liabilities:	
Receivables, net	981,948
Inventories	(13,829)
Other Assets	7,555
Prepaid Items	1,066,917
Notes Receivable, Net	251,855
Salaries Payable	(655,748)
Accounts Payable	910,665
Deferred Revenue	408,640
Other Liabilities	65,797
Compensated Absences	(126,673)
Net Cash Provided (used) by Operating Activities	<u>\$ (27,875,102)</u>

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

Change in fair value of investments recognized as a component of interest income	<u>\$ (15,314)</u>
Gift of capital assets reducing proceeds of capital gifts and grants	<u>\$ (46,000)</u>

**GEORGIA COLLEGE & STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

***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.

Affiliated organizations are included in the reporting entity because of the significance of their operational or financial relationships with Georgia College & State University. For fiscal year 2011, Georgia College & State University Foundation, the Georgia College & State Alumni Association are presented as affiliated organizations.

See Note 16, Affiliated Organizations, for supplemental information.

**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.

#### **Basis of Accounting**

For financial reporting purposes, the University is considered a special-purpose governmental entity 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**

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale Inventories are valued at cost using the "first in, first out" (FIFO) 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, 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, 2011, GSFIC did not transfer any capital additions 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 Statement of Revenues, Expenses and Changes in Net Assets. Georgia College & State University had accrued liability for compensated absences in the amount of \$2,536,786 as of July 1, 2010. For fiscal year 2011, \$1,788,312 was earned in compensated absences and employees were paid \$1,914,984, for a net increase of \$(126,672). The ending balance as of June 30, 2011 in accrued liability for compensated absences was \$2,410,114.

#### **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:

Restricted - E&G and Other Organized	
Activities	\$ 1,430,872
Federal Loans	2,883,012
Institutional Loans	946,395
	<hr/>
Total Restricted Expendable	<u>\$ 5,260,279</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 the State Treasurer. 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.

R & R Reserve	\$ 9,983,471
Reserve for Encumbrances	6,850,455
Other Unrestricted	<u>(5,973,229)</u>
Total Unrestricted Net Assets	<u>\$ 10,860,697</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.

#### **Restatement of Prior Year Net Assets**

Georgia College & State University does not have a restatement of prior year net assets

#### **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.

Auxiliary Intercollegiate Athletics awarded \$685,581 in scholarship. The allowance amount was \$465,129 resulting in expenses net of allowances of \$220,554.

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

### **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, 2011, the carrying value of deposits was \$22,275,529 and the bank balance was \$23,882,193 . Of the University's deposits, \$23,266,145 were uninsured. Of these uninsured deposits, \$3,712,130 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$19,554,015 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.

## 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, 2011 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment type					
Debt Securities					
U.S. Treasuries	\$ 94,928	\$ -	\$ -	\$ 94,928	
Mutual Bond Fund	994,816		519,392	469,431	15,993
	<u>\$ 1,089,744</u>	<u>\$ -</u>	<u>\$ 519,392</u>	<u>\$ 564,359</u>	<u>\$ 15,993</u>
Other Investments					
Bond/Equity Mutual Funds	\$ -				
Equity Mutual Funds	205,522				
Equity Securities - Domestic	1,465,553				
Miscellaneous Holdings					
Real Estate Held for Investment Purposes					
Real Estate Investment Fund	305,968				
Investment Pools					
Board of Regents					
Total Return Fund	1,972,216				
Total Investments	<u>\$ 5,039,003</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.us>.

#### 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 2.60 years. Of the University total investment of \$1,972,216 in the Total Return Fund, \$638,632 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, 2011, \$1,146,293 of the University's applicable investments, which are the investment portion of 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. 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:

There were no investments subject to concentration of credit risk nor foreign currency risk.

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

Accounts receivable consisted of the following at June 30, 2011:

Student Tuition and Fees	\$	60
Auxiliary Enterprises and Other Operating Activities		846,439
Federal Financial Assistance		371,859
Georgia State Financing and Investment Commission		510,777
Due from Affiliated Organizations		375,544
Other		2,153,875
	\$	4,258,554
Less: Allowance for Doubtful Accounts		30,045
Net Accounts Receivable	\$	4,228,509

### **Note 4. Inventories**

Inventories consisted of the following at June 30, 2011:

Bookstore	\$	5,434
Other		61,459
Total	\$	66,893

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

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2011. 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, 2011, 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, 2011:

	Beginning Balances July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Capital Assets, Not Being Depreciated				
Land	\$ 1,369,560	\$ -	\$ -	\$ 1,369,560
Capitalized Collections	-	46,000	(10,000)	56,000
Construction Work-in-Progress	1,692,891	2,936,330		4,629,221
Total Capital Assets Not Being Depreciated	\$ 3,062,451	\$ 2,982,330	\$ (10,000)	\$ 6,054,781
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	\$ -			\$ -
Building and Building Improvements	81,924,043			81,924,043
Facilities and Other Improvements	867,019			867,019
Equipment	10,543,107	1,389,787	402,110	11,530,784
Capital Leases	106,908,896			106,908,896
Library Collections	8,046,790	594,950	231,483	8,410,257
Capitalized Collections	166,300		10,000	156,300
Total Assets Being Depreciated/Amortized	\$ 208,456,155	\$ 1,984,737	\$ 643,593	\$ 209,797,299
Less: Accumulated Depreciation/Amortization				
Infrastructure	\$ -	\$ -	\$ -	\$ -
Buildings	32,583,009	1,630,933		34,213,942
Facilities and Other Improvements	778,337			778,337
Equipment	6,362,112	932,322	372,647	6,921,787
Capital Leases	10,262,254	3,656,440		13,918,694
Library Collections	6,405,848	354,062	221,968	6,537,942
Capitalized Collections	57,015	4,370		61,385
Total Accumulated Depreciation/Amortization	\$ 56,448,575	\$ 6,578,127	\$ 594,615	\$ 62,432,087
Total Capital Assets, Being Depreciated/Amortized, Net	\$ 152,007,580	\$ (4,593,390)	\$ 48,978	\$ 147,365,212
Capital Assets, Net	<u>\$ 155,070,031</u>	<u>\$ (1,611,060)</u>	<u>\$ 38,978</u>	<u>\$ 153,419,993</u>

## Note 7. Deferred Revenue

Current Deferred revenue consisted of the following at June 30, 2011:

Prepaid Tuition and Fees	\$ 2,195,759
Other Deferred Revenue	<u>107,122</u>
Totals	<u>\$ 2,302,881</u>

Noncurrent deferred revenue totaled \$138,710.

## Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2011 was as follows:

	July 1, 2010	Additions	Reductions	June 30, 2011	Portion
Leases					
Lease Obligations	<u>\$109,520,048</u>		<u>\$826,016</u>	<u>\$108,694,032</u>	<u>\$1,026,319</u>
Other Liabilities					
Compensated Absences	<u>\$2,536,786</u>	<u>\$1,788,312</u>	<u>\$1,914,984</u>	<u>\$2,410,114</u>	<u>\$1,699,766</u>
US DOE Settlement	-	-	-	-	-
Notes and Loans	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total	<u>2,536,786</u>	<u>1,788,312</u>	<u>1,914,984</u>	<u>2,410,114</u>	<u>1,699,766</u>
Total Long-Term Obligations	<u>\$112,056,834</u>	<u>\$1,788,312</u>	<u>\$2,741,000</u>	<u>\$111,104,146</u>	<u>\$2,726,085</u>

## Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$4,497,259 as of June 30, 2011. 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 2011 and 2024. Expenditures for fiscal year 2011 were \$6 million of which \$5 million represented interest and \$29,430 represented executory costs. Total principal paid on capital leases was \$.8 million for the fiscal year ended June 30, 2011. Interest rates range from 5.50 percent to 7.58 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2011:

Land	\$735,481
Buildings	92,913,432
Equipment	76,766
Total Assets Held Under Capital Lease	<u>\$ 93,725,679</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 & 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, 2011 on these capital leases are:

\$93,239,885 for the Student Housing; \$4,914,751 for the Student Center and \$1,212,731 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 \$9,326,118 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. The outstanding liability at June 30, 2011 was \$ 9,322,951.

Georgia College & State University has a capital leases for equipment with an outstanding balance at June 30, 2011 in the amount of \$ 3,714.

## OPERATING LEASES

Georgia College & State University's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2011 through 2012. 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 \$342,636 in the current year.

Following are the Operating Leases held by the University during fiscal year 2011:

<u>Property Leased</u>	<u>Location</u>	<u>Lessor</u>	<u>Annual Lease</u>
Macon Graduate & Professional Programs Center	433 Cherry St	GCSU Foundation	\$ 342,636
McComb Building	115 S. Wilkinson St Milledgeville, Ga	McComb Family Trust	\$ 29,748
Parking Lot	425 N Clark St Milledgeville, Ga	Wilkinson Colonial Properties	\$ 27,360
Parking Lot	433Cherry St Macon, Ga	City of Macon	\$ 4,200
Storage 38,005	121 Blandy Rd, NW Milledgeville, Ga	Warehouse Solutions, LLC	\$
Parking Lot	Tatnall St Milledgeville, Ga	Norfolk Southern Corp	\$ 118

Depot Building Easement	Greene St Milledgeville, Ga	Norfolk Southern Corp	\$ 240
Parking Lot 4,800	141 Thomas St Milledgeville, Ga	Wilkinson Hilltop Investment LLC	\$

#### FUTURE COMMITMENTS

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, 2011, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2012	\$ 6,142,524	\$ 382,656
2013	6,307,194	-
2014	6,476,928	-
2015	6,652,673	-
2016	6,835,341	-
2017 through 2021	37,108,469	-
2022 through 2026	41,875,879	-
2027 through 2031	45,385,002	-
2032 through 2036	29,142,981	-
2037 through 2042	2,794,642	-
Total minimum lease payments	\$ 188,721,633	\$ 382,656
Less: Interest	80,027,601	
Less: Executory costs (if paid)	-	
Principal Outstanding	\$ 108,694,032	

Georgia College & State University's fiscal year 2011 expense for rental of real property and equipment under operating leases was \$447,107.



## ***Note 11. Retirement Plans***

Georgia College & State University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. 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 system offices. The significant retirement plans that Georgia College & State University 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.

### **Employees' Retirement System of Georgia**

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was 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 and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS 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 the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects 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. Members 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 the old plan, 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 a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may 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.

Member contribution rates are set by law. 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, Georgia College & State University pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Georgia College & State University 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. Georgia College & State University is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Georgia College & State University contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2007 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan*	10.41%
New Plan	10.41%
GSEPS	6.54%

\* 5.66% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions; the member forfeits all rights to retirement benefits.

## Teachers Retirement System of Georgia

The Teachers Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011 were 5.53% of annual salary. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2009 actuarial valuation.

The following table summarizes the Georgia College & State University contributions by defined benefit plan for the years ending June 30, 2011, June 2010, and June 2009 (dollars in thousands):

	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	9,133	100%	2,487,096	100%
2010	11,285	100%	2,358,204	100%
2009	16,329	100%	2,269,337	100%

## 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 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 2011, the employer contribution was 10.28% for the participating employee's earnable compensation. Employees contribute 5.53% 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 \$2,487,096 (10.28%) and \$1,337,906 (5.53%), 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 (GDCP) 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. GDCP 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 2011 amounted to \$48,558 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 expenditure 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, 2011.

#### ***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 2010 and 2011 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, 2011, there were 261 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2011, Georgia College & State University recognized as incurred \$1,168,609 of expenditures, which was net of \$478,344 of participant contributions.

## Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2011 are shown below:

Natural Classification	Functional Classification Fiscal Year 2011					
	Public		Academic		Student	
	Instruction	Research	Service	Support	Services	Institutional Support
Faculty	21,830,456	128,765	73,223	2,031,007	104,673	360
Staff	3,894,373	47,326	197,754	4,627,705	3,626,126	5,821,114
Benefits	6,009,607	31,842	62,707	1,530,213	957,010	3,395,553
Personal Services	5,374	1,000	2,085	7,732	3,975	194,792
Travel	208,303	30,280	3,190	320,556	52,672	71,935
Scholarships and Fellowships	14,470	-	-	-	-	-
Utilities	96,893	60	4,264	212,774	50,824	52,972
Supplies and Other Services	3,910,089	113,757	233,906	2,349,740	1,491,209	1,924,278
Depreciation	958,457	1,754	11,535	1,083,998	214,821	457,717
Total Expenses	<u>\$ 36,928,022</u>	<u>\$ 354,784</u>	<u>\$ 588,664</u>	<u>\$ 12,163,725</u>	<u>\$ 6,501,310</u>	<u>\$ 11,918,721</u>

Natural Classification	Functional Classification Fiscal Year 2011			
	Plant		Total	
	Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Expenses
Faculty	-	-	95,956	\$ 24,264,440
Staff	4,699,872	-	3,077,881	25,992,151
Benefits	1,582,009	-	753,399	14,322,340
Personal Services	(1,647,875)	-	1,647,580	214,663
Travel	8,304	-	100,262	795,502
Scholarships and Fellowships	-	2,170,102	869,564	3,054,136
Utilities	2,092,368	-	1,475,752	3,985,907
Supplies and Other Services	6,045,202	-	8,170,043	24,238,224
Depreciation	156,943	-	3,692,902	6,578,127
Total Expenses	<u>\$ 12,936,823</u>	<u>\$ 2,170,102</u>	<u>\$ 19,883,339</u>	<u>\$ 103,445,490</u>



## **Note 16. Affiliated Organizations**

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity* which became effective for the year ended June 30, 2004, Georgia College & State University Foundation, Georgia College & State University Alumni Association, are legally separate tax exempt organizations whose activities primarily support Georgia College & State University, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office determined Component Units of the State of Georgia, as required by GASB Statement No. 39 should not be assessed in relation to their significance to Georgia College & State University, but instead based on their significance to the State of Georgia. Accordingly, Georgia College & State University has included for information only condensed schedules of the Statement of Net Assets and Statement of Revenue, Expenses and Changes in Net Assets for these affiliated organizations in the financial statements.

Georgia College & State University Foundation has been determined as being significant to the State of Georgia for the year ended June 30, 2011, and as such, is reported as a discretely presented component unit in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). Significant discretely presented component units issue separate audited financial statements that can be obtained from Georgia College & State University.

## Condensed Statement of Net Assets by Affiliated Organizations

### Georgia College & State University Condensed Statement of Net Assets by Affiliated Organizations June 30, 2011

	Georgia College & State Foundation	Georgia College & State Alumni Association
<b>Assets:</b>		
Current Assets	\$ -	\$ -
Noncurrent		
Cash/Investments	-	-
Capital Assets, net	-	-
Other Assets	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities:</b>		
Current Liabilities	-	-
Noncurrent Liabilities	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt	-	-
Restricted - nonexpendable	-	-
Restricted - expendable	-	-
Capital Projects	-	-
Unrestricted	-	-
<b>Total Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>

**Condensed Statement of Revenue, Expenses and Changes in Net Assets  
by Affiliated Organizations**

**Georgia College & State University  
Condensed Statement of Revenue, Expenses and  
Changes in Net Assets by Affiliated Organizations  
June 30, 2011**

	Georgia College & State Foundation	Georgia College & State Alumni Association
Operating Revenues and Expenses		
Grants and Contracts	\$ -	\$ -
Rents and Royalties	-	-
Net Patient Revenue	-	-
Other	-	-
Expenses	-	-
Operating Profit/(Loss)	\$ -	\$ -
Nonoperating Revenues and Expenses		
Revenues	-	-
Expenses	-	-
Net Assets		
Increase/(Decrease) in Net Assets	-	-
Net Assets at beginning of year, as originally reported	-	-
Prior Year Adjustments	-	-
Net Assets at beginning of year, restated	-	-
Net Assets at End of Year	\$ -	\$ -

