

UNIVERSITY OF WEST GEORGIA

Annual Financial Report

Fiscal Year Ended June 30, 2015

UNIVERSITY OF WEST GEORGIA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2015

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UNIVERSITY OF WEST GEORGIA
Management's Discussion and Analysis

Introduction

The University of West Georgia is one of the 30 institutions of higher education of the University System of Georgia. As a comprehensive university, West Georgia offers disciplinary, interdisciplinary, and professional programs at the baccalaureate and graduate levels. Of its 86 programs of study, 43 operate at the Bachelor's level, 29 at the Master's and Specialist's levels, and four (4) are doctoral. In addition, the University offers eight (8) Post-Baccalaureate and two (2) Post-Master's certificate programs. The University has achieved national recognition in areas such as academic debate, faculty-directed undergraduate research, and athletic competition. The Princeton Review identified UWG as one of the "Best Southeastern Colleges" and one of the "Best Value Colleges."

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2015	517	12,206	11,077
Fiscal Year 2014	584	11,929	10,845
Fiscal Year 2013	553	11,769	10,638

Overview of the Financial Statements and Financial Analysis

The University of West Georgia is pleased to present its financial statements for fiscal year 2015. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2015 and fiscal year 2014.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2015 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution and how much the institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution.

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

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

Statement of Net Position, Condensed

	<u>June 30, 2015</u>	<u>6/30/2014 (1)</u>
Assets:		
Current Assets	\$ 50,934,903	\$ 54,398,160
Capital Assets, Net	309,419,932	301,447,649
Other Assets	4,216,704	3,838,655
Total Assets	<u>364,571,539</u>	<u>359,684,464</u>
Deferred Outflows of Resources	10,082,511	
Liabilities:		
Current Liabilities	16,396,881	14,642,859
Non-Current Liabilities	218,958,882	184,188,874
Total Liabilities	<u>235,355,763</u>	<u>198,831,733</u>
Deferred Inflows of Resources	15,536,443	
Net Position:		
Net Investment in Capital Assets	134,774,177	114,970,596
Restricted		
Expendable	3,166,466	2,706,050
Unrestricted	<u>(14,178,799)</u>	<u>43,176,085</u>
Total Net Position	<u>\$ 123,761,844</u>	<u>\$ 160,852,731</u>

(1) *The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position. See the Notes to the Financial Statements for more information.*

Total assets and deferred outflows of resources increased by \$14,969,586, which was primarily due to an increase of \$10,082,511 in the category of Deferred Outflows of Resources. The balance of the increase is mainly in the category of Capital Assets, Net.

Total liabilities and deferred inflows of resources increased for the year by \$52,060,473. The combination of the increase in total assets and deferred outflows of resources of \$14,969,586 and the increase in total liabilities and deferred inflows of resources of \$52,060,473 yields a decrease in net position of \$37,090,887. The decrease in net position is primarily in the category of Unrestricted, in the amount of \$57,354,884, of which \$54,265,768 was comprised of prior-period adjustments. See the Notes to the Financial Statements for more information.

Statement of Revenues, Expenses and Changes in Net Position

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Operating Revenues	\$ 111,466,722	\$ 106,859,454
Operating Expenses	<u>178,449,564</u>	<u>170,104,799</u>
Operating Loss	(66,982,842)	(63,245,345)
Nonoperating Revenues and Expenses	<u>63,308,668</u>	<u>59,060,757</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	(3,674,174)	(4,184,588)
Other Revenues, Expenses, Gains or Losses	<u>20,849,055</u>	<u>4,636,738</u>
Increase/(Decrease) in Net Position	17,174,881	452,150
Net Position at Beginning of Year, as originally reported	160,852,731	160,400,581
Prior Year Adjustments	<u>(54,265,768)</u>	<u></u>
Net Position at Beginning of Year, Restated	<u>106,586,963</u>	<u>160,400,581</u>
Net Position at End of Year	<u>\$ 123,761,844</u>	<u>\$ 160,852,731</u>

(1) The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position. See the Notes to the Financial Statements for more information.

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

Revenue by Source

For the Years Ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Operating Revenues		
Tuition and Fees	\$ 58,999,106	\$ 56,501,671
Grants and Contracts	4,177,270	3,558,265
Sales and Services	624,058	614,510
Auxiliary	39,701,704	39,594,393
Other	7,964,584	6,590,615
Total Operating Revenues	<u>111,466,722</u>	<u>106,859,454</u>
Nonoperating Revenues		
State Appropriations	48,167,093	44,262,247
Grants and Contracts	23,427,009	22,931,534
Gifts	630,620	30,810
Investment Income	73,022	207,290
Other	452,772	678,275
Total Nonoperating Revenues	<u>72,750,516</u>	<u>68,110,156</u>
Capital Gifts and Grants		
State	1,847,418	4,636,738
Other Capital Gifts and Grants	19,001,637	
Total Capital Gifts and Grants	<u>20,849,055</u>	<u>4,636,738</u>
Total Revenues	<u>\$ 205,066,293</u>	<u>\$ 179,606,348</u>

Expenses (By Functional Classification)

For the Years Ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Expenses		
Instruction	\$ 65,340,064	\$ 62,448,990
Research	2,028,282	1,598,426
Public Service	278,710	413,682
Academic Support	18,206,308	16,410,000
Student Services	12,990,525	11,012,488
Institutional Support	16,840,459	18,689,106
Plant Operations and Maintenance	17,091,041	15,788,868
Scholarships and Fellowships	8,859,930	9,340,945
Auxiliary Enterprises	36,814,245	34,402,294
Total Operating Expenses	178,449,564	170,104,799
Nonoperating Expenses		
Interest Expense (Capital Assets)	9,441,848	9,049,399
Total Expenses	<u>\$ 187,891,412</u>	<u>\$ 179,154,198</u>

(1) The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position.
See the Notes to the Financial Statements for more information.

Operating revenues increased by \$4,607,268 in fiscal year 2015 and was driven primarily by an increase in Tuition and Fees.

Nonoperating revenues increased by \$4,640,360 for the year primarily due to an increase in State Appropriations.

The compensation and employee benefits category increased/decreased by \$6,895,778 and primarily affected the Instruction, Student Services, and Auxiliary Enterprises categories.

Supplies and Other Services increased by \$1,795,438 and primarily affected the Instruction, Institutional Support, and Student Services categories.

Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2015 and 2014, Condensed

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Provided (used) By:		
Operating Activities	\$ (53,517,195)	\$ (51,682,056)
Non-capital Financing Activities	72,275,094	68,428,359
Capital and Related Financing Activities	(22,887,828)	(17,131,573)
Investing Activities	<u>73,022</u>	<u>207,290</u>
Net Change in Cash	(4,056,907)	(177,980)
Cash, Beginning of Year	<u>50,226,442</u>	<u>50,404,422</u>
Cash, End of Year	<u>\$ 46,169,535</u>	<u>\$ 50,226,442</u>

Capital Assets

The University had one significant capital asset addition for facilities in fiscal year 2015. The Newnan Hospital renovation was completed and placed into service in April 2015 at a cost of \$23.9 million.

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

Long Term Liabilities

The University of West Georgia had Long-Term Liabilities of \$224,679,616, of which \$5,722,484 was reflected as current liability at June 30, 2015.

For additional information concerning Long-Term Liabilities, see Note 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 and the University anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

Dr. Kyle Marrero, President
University of West Georgia

**University of West Georgia
Financial Statements**

UNIVERSITY OF WEST GEORGIA

Statement of Net Position

ASSETS

Current Assets

Cash and Cash Equivalents	\$	45,679,888
Accounts Receivable, net		
Receivables - Federal Financial Assistance		1,027,232
Margin Allocation Funds		
Receivables - Other		1,471,110
Due From Affiliated Organizations		13,735
Inventories		1,807,768
Prepaid Items		935,170
Total Current Assets		<u>50,934,903</u>

Non-Current Assets

Noncurrent Cash	\$	489,647
Due from USO - Capital Liability Reserve Fund		1,357,248
Notes Receivable, net		2,369,809
Capital Assets, net		309,419,932
Total Non-Current Assets		<u>313,636,636</u>
TOTAL ASSETS		<u><u>364,571,539</u></u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Debt Refunding		1,869,291
Deferred Loss on Defined Benefit Pension Plan		8,213,220
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>10,082,511</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$	6,235,512
Salaries Payable		282,411
Contracts and Retainage Payable		207,258
Advances (Including Tuition and Fees)		3,480,387
Other Liabilities		53,783
Deposits Held for Other Organizations		415,046
Lease Purchase Obligations		3,216,153
Compensated Absences		2,506,331
Total Current Liabilities		<u>16,396,881</u>

Non-Current Liabilities

Lease Purchase Obligations	\$	173,298,893
Advances (Including Tuition and Fees)		1,750
Compensated Absences		1,277,381
Net Pension Liability		44,380,858
Total Non-Current Liabilities		<u>218,958,882</u>
TOTAL LIABILITIES		<u><u>235,355,763</u></u>

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Defined Benefit Pension Plan		15,536,443
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>15,536,443</u>

NET POSITION

Net Investment in Capital Assets		134,774,177
Restricted for		
Expendable		3,166,466
Unrestricted		(14,178,799)
TOTAL NET POSITION	\$	<u><u>123,761,844</u></u>

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

UNIVERSITY OF WEST GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position

Operating Revenues		
Student Tuition and Fees (net of allowance for doubtful accounts)	\$	78,052,355
Less: Scholarship Allowances		(19,053,249)
Grants and Contracts		
Federal		1,939,988
State		718,124
Other		1,519,158
Sales and Services		624,058
Rents and Royalties		28,423
Auxiliary Enterprises		
Residence Halls		17,503,426
Bookstore		3,795,456
Food Services		8,649,169
Parking/Transportation		1,352,546
Health Services		2,213,631
Intercollegiate Athletics		5,820,746
Other Organizations		366,730
Other Operating Revenues		7,936,161
Total Operating Revenues		<u>111,466,722</u>
EXPENSES		
Operating Expenses		
Salaries:		
Faculty	\$	38,943,726
Staff		41,154,074
Employee Benefits		24,326,891
Other Personal Services		712,365
Travel		1,631,879
Scholarships and Fellowships		10,405,503
Utilities		4,109,156
Supplies and Other Services		44,044,243
Depreciation		13,121,727
Total Operating Expenses		<u>178,449,564</u>
Operating Income (loss)		<u>(66,982,842)</u>

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

UNIVERSITY OF WEST GEORGIA**Statement of Revenues, Expenses, and Changes in Net Position
(Continued)****NONOPERATING REVENUES (EXPENSES)**

State Appropriations	\$	48,167,093
Grants and Contracts		
Federal		23,427,009
Gifts		630,620
Investment Income (endowments, auxiliary and other)		73,022
Interest Expense (capital assets)		(9,441,848)
Other Nonoperating Revenues (Expenses)		452,772
Net Nonoperating Revenues		<u>63,308,668</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		<u>(3,674,174)</u>
Capital Grants and Gifts		
State		1,847,418
Other		19,001,637
Total Other Revenues, Expenses, Gains or Losses		<u>20,849,055</u>
Increase (Decrease) in Net Position		<u>17,174,881</u>

NET POSITION

Net Position-Beginning of Year, As Originally Reported		160,852,731
Prior Year Adjustments		(54,265,768)
Net Position-Beginning of Year, Restated		<u>106,586,963</u>
Net Position-End of Year	\$	<u><u>123,761,844</u></u>

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

UNIVERSITY OF WEST GEORGIA

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 59,553,546
Grants and Contracts (Exchange)	3,489,311
Sales and Services	624,058
Payments to Suppliers	(74,942,418)
Payments to Employees	(79,455,691)
Payments for Scholarships and Fellowships	(10,405,503)
Loans Issued to Students and Employees	(287,502)
Auxiliary Enterprise Charges:	
Residence Halls	17,437,116
Bookstore	2,995,328
Food Services	8,873,553
Parking/Transportation	1,269,156
Health Services	2,196,405
Intercollegiate Athletics	6,595,253
Other Organizations	(393,343)
Other Receipts	8,822,757
Other Payments	110,779
Net Cash Provided (used) by Operating Activities	(53,517,195)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	\$ 48,167,093
Agency Funds Transactions	(457,017)
Gifts and Grants Received for Other Than Capital Purposes	24,057,630
Other Nonoperating Receipts (Expenses)	507,388
Net Cash Flows Provided by Non-capital Financing Activities	72,275,094

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Gifts and Grants Received	\$ 1,847,418
Purchases of Capital Assets	(12,875,212)
Principal Paid on Capital Debt and Leases	(2,463,757)
Interest Paid on Capital Debt and Leases	(9,396,277)
Net Cash used by Capital and Related Financing Activities	(22,887,828)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	73,022
Net Cash Provided (used) by Investing Activities	73,022
Net Increase/Decrease in Cash	(4,056,907)
Cash and Cash Equivalents - Beginning of year	50,226,442
Cash and Cash Equivalents - End of Year	\$ 46,169,535

The accompanying notes are an integral part of these financial statements

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

UNIVERSITY OF WEST GEORGIA
Statement of Cash Flows (Continued)

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

Operating Income (loss)	\$ (66,982,842)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	13,121,727
Change in Assets and Liabilities:	
Receivables, net	647,629
Inventories	(843,349)
Prepaid Items	178,895
Notes Receivable, Net	(287,502)
Accounts Payable	1,190,509
Salaries Payable	64,358
Advances (Including Tuition and Fees)	(53,417)
Other Liabilities	440,534
Compensated Absences	633,888
Change in Deferred inflows/outflows of resources:	
Deferred inflows of Resources	15,536,443
Deferred outflows of Resources	(3,809,357)
Net Pension Liability	(13,354,711)
Net Cash Provided (used) by Operating Activities	<u>\$ (53,517,195)</u>

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

Gift of capital assets reducing proceeds of capital gifts and grants	<u>\$ 19,001,637</u>
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The accompanying notes are an integral part of these financial statements

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

The University of West Georgia 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

The University of West Georgia is one of thirty (30) 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 the University of West Georgia 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. The University of West Georgia does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, the University of West Georgia 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.

Legally separate, tax exempt Affiliated Organizations whose activities primarily support units of the University System of Georgia, which are organizational units of the State of Georgia, are considered potential Component Units of the State. See Note 20 for additional 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 position, revenues, expenses, changes in net position and cash flows.

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. 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.

New Accounting Pronouncements

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of this statement does not have a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred outflows of resources and deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions.

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.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State 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 and resale inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Prepaid Items

Prepaid Items reflect payments of costs applicable to future accounting periods.

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 Position.

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 generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand 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. These bonds 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.

Capital Liability Reserve Fund

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the University. The University's contribution to the fund as of June 30, 2015 was \$1,357,248.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments in a University residence hall.

Advances

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

Deferred Outflows of Resources

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

Compensated Absences

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

Noncurrent Liabilities

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

Deferred Inflows of Resources

Deferred inflows of resources consists of the acquisition of net assets by the University that are applicable to a future reporting period.

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: 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 the net investment in capital assets.

The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section.

Restricted – non-expendable includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. 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 – expendable and expendable Capital Projects are restricted resources available for expenditure, but these restricted resources 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.

Unrestricted: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the 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.

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

The University of West Georgia, 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 Position classify fiscal year activity as operating and non-operating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

Operating Expenses: Operating expense includes activities that have the characteristics of exchange transactions.

Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

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 Position. 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 non-governmental programs are recorded as either operating or non-operating 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.

Restatement Note Disclosure

The University of West Georgia has a restatement of prior year net position due to a change in the methodology of reporting leases by both the University of West Georgia Foundation and the University of West Georgia Real Estate Foundation. Capital leased assets decreased by \$10,347,173 and lease purchase obligations decreased by \$9,413,112 for a total decrease in beginning net position of \$934,061.

Additionally, for fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of \$53,331,706. This change is in accordance with generally accepted accounting principles.

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, 2015, the carrying value of deposits was \$26,447,832 and the bank balance was \$26,788,993. Of the University's deposits, \$26,443,781 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, \$26,443,781 were collateralized with securities held by the financial

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

institution, by its trust department or agency, but not in the University's name and \$0 were uncollateralized.

Investments

At June 30, 2015, the carrying value of the University's investments were \$19,646,312, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and/or Office of the State Treasurer investment pools as follows:

Investment Pools	
Board of Regents	
Short-Term Fund	\$ 11,400,720
Office of the State Treasurer	
Georgia Fund 1	<u>8,245,592</u>
Total Investment Pools	<u>\$ 19,646,312</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 and Accounts – Education Audit Division or on their web site at <http://www.audits.ga.gov>.

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, \$1.00 per share.

The Georgia Fund 1 Investment Pool is an AAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 56 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. The University does not have a formal policy for managing interest rate risk.

The Effective Duration of the Short Term Fund is .33 years. Of the University/College's total investment of \$ 11,400,721 in the Short Term Fund, \$ 11,400,721 is invested in debt securities.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2015:

Student Tuition and Fees	\$	470,365
Auxiliary Enterprises and Other Operating Activities		762,646
Federal Financial Assistance		1,027,232
Georgia Student Finance Commission		8,305
Due from Affiliated Organizations		13,735
Other		1,184,943
		<u>3,467,226</u>
Less: Allowance for Doubtful Accounts		<u>955,149</u>
Net Accounts Receivable	\$	<u>2,512,077</u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2015:

Bookstore	\$	1,701,127
Physical Plant		86,055
Other		20,586
		<u>1,807,768</u>
Total	\$	<u>1,807,768</u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2015. 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, 2015, the allowance for uncollectible loans was approximately \$-0-.

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2015:

	(Restated) Beginning Balances July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 8,281,634			\$ 8,281,634
Construction Work-in-Progress	8,808,173	10,992,294	8,206,372	11,594,095
Total Capital Assets Not Being Depreciated	17,089,807	10,992,294	8,206,372	19,875,729
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	6,601,298			6,601,298
Building and Building Improvements	157,549,290	26,565,134	374,000	183,740,424
Facilities and Other Improvements	3,845,482			3,845,482
Equipment	23,597,769	1,788,657	1,442,639	23,943,787
Capital Leases	184,135,726			184,135,726
Library Collections	18,524,724	410,367	48,649	18,886,442
Capitalized Collections	18,900	34,879		53,779
Total Capital Assets Being Depreciated/Amortized	394,273,189	28,799,037	1,865,288	421,206,938
Less: Accumulated Depreciation/Amortization				
Infrastructure	1,457,309	237,647		1,694,956
Buildings	57,851,646	4,150,972	334,384	61,668,234
Facilities and Other Improvements	1,738,704	138,324		1,877,028
Equipment	14,435,001	1,896,162	1,338,479	14,992,684
Capital Leases	29,201,839	6,044,263		35,246,102
Library Collections	15,578,021	654,359	48,649	16,183,731
Total Accumulated Depreciation/Amortization	120,262,520	13,121,727	1,721,512	131,662,735
Total Capital Assets, Being Depreciated/Amortized, Net	274,010,669	15,677,310	143,776	289,544,203
Capital Assets, net	\$ 291,100,476	\$ 26,669,604	\$ 8,350,148	\$ 309,419,932

For projects managed by GSFIC, 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, 2015, GSFIC did not transfer any capital additions to the University of West Georgia.

Note 7. Advances (Including Tuition and Fees)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2015:

Prepaid Tuition and Fees	\$	2,691,416
Research		340,134
Other - Advances		450,587
		<hr/>
Totals	\$	<u>3,482,137</u>

Long term advances totaled \$3,482,137 of which \$3,480,387 was reflected as current.

Note 8. Long Term Liabilities

Long-Term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Leases					
Lease Purchase Obligations	\$ 177,063,941	\$ 1,914,862	\$ 2,463,757	\$ 176,515,046	\$ 3,216,153
Other Liabilities					
Compensated Absences	3,149,824	3,073,780	2,439,892	3,783,712	2,506,331
Net Pension Liability	57,735,569		13,354,711	44,380,858	
Total	<u>60,885,393</u>	<u>3,073,780</u>	<u>15,794,603</u>	<u>48,164,570</u>	<u>2,506,331</u>
Total Long-Term Obligations	<u>\$ 237,949,334</u>	<u>\$ 4,988,642</u>	<u>\$ 18,258,360</u>	<u>\$ 224,679,616</u>	<u>\$ 5,722,484</u>

Note 9. Service Concession Arrangements

At June 30, 2015, the University of West Georgia was not a participant in Service Concession Arrangements.

Note 10. Net Position

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

The amounts within each category at June 30, 2015 were as follows:

NET POSITION

Net Investment in Capital Assets	\$ 134,774,177
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Restricted for

Nonexpendable

Permanent Endowment

Expendable

Restricted E&G and Other

Organized Activities	520,324
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Federal Loans	2,306,422
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Institutional Loans	339,720
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Sub-Total	<u>3,166,466</u>
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Unrestricted

Auxiliary Operations

R & R Reserve	8,869,133
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Reserve for Encumbrances	17,241,692
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Reserve for Inventory	76,092
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Other Unrestricted	<u>(40,365,716)</u>
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Sub-Total	<u>(14,178,799)</u>
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TOTAL NET POSITION

	<u><u>\$ 123,761,844</u></u>
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See Note 1: Restatement Note Disclosure for an explanation of the decrease in Other Unrestricted Net Position from FY2014.

Note 11. Endowments

Donor Restricted Endowments:

As of June 30, 2015, the University of West Georgia did not have any donor-restricted endowments.

Note 12. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$8,575,205 as of June 30, 2015. This amount is not reflected in the accompanying basic financial statements.

Note 13. Lease Obligations

The University of West Georgia 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 2030 and 2042. Expenditures for fiscal year 2015 were \$12.9 million of which \$9.4 million represented interest and \$1.1 million represented executory costs. Total principal paid on capital leases was \$2.4 million for the fiscal year ended June 30, 2015. Interest rates range from 4.10 percent to 6.75 percent.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin	End	Outstanding Principal Balance at 6/30/15	
University Suites	UWG Foundation, Inc.	\$ 13,385,468	25	2004	2030	\$ 8,935,971	(1)
Arbor View Apartments	UWG Foundation, Inc.	17,363,422	25	2005	2030	14,150,215	(1)
Greek Village	UWG Foundation, Inc.	17,893,587	30	2009	2039	18,226,844	(1)
University Campus Ctr.	UWG Real Estate Foundation, Inc.	27,100,000	23	2012	2035	27,382,884	(1)
Athletic Complex	UWG Real Estate Foundation, Inc.	27,660,000	24	2015	2039	27,591,756	(1)
Center Pointe Suites	UWG Real Estate Foundation, Inc.	23,900,106	29	2012	2041	24,061,214	(1)
Athletic Office Bldg.	UWG Real Estate Foundation, Inc.	3,756,636	27	2012	2039	3,676,211	(1)
Parking Lots	UWG Foundation, Inc.	4,159,691	31	2008	2039	4,357,511	(1)
University Bookstore	USG Real Estate Foundation III, Inc.	5,640,416	30	2011	2041	5,476,650	(1)
East Commons	UWG Real Estate Foundation, Inc.	11,681,410	29	2013	2042	11,795,419	(1)
Bowdon Hall	UWG Real Estate Foundation, Inc.	9,141,321	29	2013	2042	9,229,407	(1)
The Oaks	UWG Real Estate Foundation, Inc.	21,424,563	29	2013	2042	21,630,964	(1)
Total Leases		\$ 183,106,620				\$ 176,515,046	

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

*In December 2014, the University Real Estate Foundation refunded the bonds associated with these two leases and passed the perceived economic advantages of these refunds to the University. The net savings to the University resulting from these refunds is \$5,825,238 for the difference in the cash flow requirements between the original lease and the revised lease. The University recognized a Deferred Loss on Debt Refunding in the amount of \$1,914,862 for the difference in the present value of the future minimum lease payments between the original lease and the revised lease. The

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

unamortized Deferred Loss on Debt Refunding at year end related to these transactions is \$1,869,291.

Operating Leases

The University of West Georgia's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2016 through 2020. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled \$302,932 for the fiscal year ended June 30, 2015.

Future Commitments

Future commitments for capital leases (which here and on the Statement of Net Position include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2015, were as follows:

	Real Property and Equipment	
	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2016	12,336,097	269,190
2017	12,488,810	201,961
2018	12,722,747	155,327
2019	12,867,552	71,577
2020	13,010,322	31,917
2021 through 2025	67,143,834	
2026 through 2030	68,943,103	
2031 through 2035	59,302,475	
2036 through 2040	45,111,592	
2041 through 2045	<u>7,705,732</u>	
Total minimum lease payments	\$ 311,632,264	<u>\$ 729,972</u>
Less: Interest	133,617,218	
Less: Executory costs (if paid)	1,500,000	
Principal Outstanding	<u>\$ 176,515,046</u>	

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

The following is a summary of the carrying values of assets held under capital lease at June 30, 2015:

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2015 (=)	Outstanding Balances per lease schedules at June 30, 2015
Land - (PPV)	4,202,011	0	4,202,011	4,028,106
Equipment - (PPV)	3,227,268	3,210,082	17,186	3,093,704
Buildings - (PPV)	172,546,756	30,912,903	141,633,853	165,405,699
Facilities and Improvements - (PPV)	4,159,691	1,123,117	3,036,574	3,987,537
Total Assets Held Under Capital Lease at June 30, 2015	<u>\$ 184,135,726</u>	<u>\$ 35,246,102</u>	<u>\$ 148,889,624</u>	<u>\$ 176,515,046</u>

Note 14. Retirement Plans

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

The significant retirement plans that the University of West Georgia participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

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

Summary of Significant Accounting Policies

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

General Information about the Teachers Retirement System

Plan description: –All teachers of the College/University as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish

and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2015. The University's contractually required contribution rate for the year ended June 30, 2015 was 13.15 % of annual University payroll. University contributions to TRS were \$5,239,015 for the reporting period (fiscal year ended June 30, 2015) and \$4,376,462 for the measurement period (fiscal year ended June 30, 2014).

General Information about the Employees' Retirement System

Plan description: – ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The University's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. The University's contributions to ERS were \$39,468 for the reporting period (fiscal year ended June 30, 2015) and \$27,401 for the measurement period (fiscal year ended June 30, 2014). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2015, the College/University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014. At June 30 2014, the University's TRS proportion was 0.349333%, which was an increase of 0.020670% from its proportion measured as of June 30, 2013. At June 30, 2014, the College/University's ERS proportion was 0.006592%, which was a decrease of 0.003020% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$3,692,123 for TRS and (\$41,265) for ERS. At June 30, 2015, the College/University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments		15,385,914		60,344
Changes in proportion and differences between University contributions and proportionate share of contributions	2,934,737			90,185
University contributions subsequent to the measurement date	5,239,015		39,468	
Total	<u>\$ 8,173,752</u>	<u>\$ 15,385,914</u>	<u>\$ 39,468</u>	<u>\$ 150,529</u>

University contributions subsequent to the measurement date of \$5,239,015 for TRS and \$39,468 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2016	\$ (3,179,492)	\$ (71,452)
2017	\$ (3,179,492)	\$ (48,906)
2018	\$ (3,179,492)	\$ (15,086)
2019	\$ (3,179,495)	\$ (15,085)
2020	\$ 266,794	\$ -
Thereafter	\$ -	\$ -

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

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

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

Discount rate: The discount rate used to measure the total TRS and ERS pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Teachers Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 81,332,334	\$ 44,133,617	\$ 13,501,245

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 360,526	\$ 247,241	\$ 150,809

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

Regents Retirement Plan

Plan Description

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

Funding Policy

The University of West Georgia 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 2015, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University of West Georgia and the covered employees made the required contributions of \$2,923,273 (9.24%) and \$1,897,977 (6%), respectively.

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

Note 15. Risk Management

The University System of Georgia offers its employees and retirees access to four different healthcare plan options. For the University System of Georgia's Plan Year 2015, the following healthcare plan options were available:

- Blue Choice HMO
- Comprehensive Care Plan
- Consumer Choice HSA Plan
- Kaiser Permanente HMO

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

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

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that

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

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

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

Note 16. Contingencies

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

Litigation, claims and assessments filed against the University of West Georgia (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, 2015.

Note 17. Post-Employment Benefits Other Than Pension Benefits

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

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

As of June 30, 2015, there were 478 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, the University of West Georgia recognized as incurred \$2,111,144 of expenditures, which was net of \$980,927 of participant contributions.

UNIVERSITY OF WEST GEORGIA
Notes to Financial Statements
Fiscal Year Ended June 30, 2015

Note 18. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2015 are shown below:

Natural Classification	Functional Classification				
	Fiscal Year 2015				
	Instruction	Research	Public Service	Academic Support	Student Services
Faculty	\$33,330,417	\$ 463,263	\$ 16,735	\$ 3,452,944	\$ 395,958
Staff	7,256,347	437,965	171,032	6,616,157	6,195,620
Benefits	11,249,572	195,167	50,874	2,951,793	1,824,070
Personal Services	187,665			(96,712)	6,497
Travel	807,706	75,367	8,297	258,851	148,164
Scholarships and Fellowships	(19,365)	137,457		9,100	800
Utilities	100,975	1,219	2,159	19,520	42,159
Supplies and Other Services	10,601,381	627,329	29,613	3,814,345	3,699,427
Depreciation	1,825,366	90,515		1,180,310	677,830
Total Expenses	\$65,340,064	\$ 2,028,282	\$ 278,710	\$18,206,308	\$12,990,525

Natural Classification	Functional Classification				
	Fiscal Year 2015				
	Institutional Support	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	\$ 972,779	\$ (1,362,538)		\$ 1,674,168	\$ 38,943,726
Staff	7,176,561	7,415,002		5,885,390	41,154,074
Benefits	3,512,387	2,680,271	1,797	1,860,960	24,326,891
Personal Services	497,966	(1,473,535)		1,590,484	712,365
Travel	133,252	36,630		163,612	1,631,879
Scholarships and Fellowships			8,858,133	1,419,378	10,405,503
Utilities	13,175	2,126,883		1,803,066	4,109,156
Supplies and Other Services	4,296,115	4,961,384		16,014,649	44,044,243
Depreciation	238,224	2,706,944		6,402,538	13,121,727
Total Expenses	\$16,840,459	\$17,091,041	\$ 8,859,930	\$36,814,245	\$ 178,449,564

Note 19. Affiliated Organizations

The University of West Georgia Foundation, Inc. and the UWG Real Estate Foundation, Inc. are legally separate, tax-exempt organizations whose activities primarily support the University of West Georgia, a unit of the University System of Georgia. . Because the University System of Georgia is an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statements 61, 39 and 14. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements may be obtained from the University of West Georgia.

The UWG Real Estate Foundation, Inc. has been determined significant to the State of Georgia for the year ended June 30, 2015, and as such, is reported as a component unit in the Comprehensive Annual Financial Report of the State of Georgia (CAFR).

Required Supplementary Information

The University of West Georgia
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Georgia
For the Year Ended June 30

University's proportion of the net pension liability	0.349%
University's proportionate share of the net pension liability	\$ 44,133,617
College's covered-employee payroll	\$ 35,616,406
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.91%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The University of West Georgia
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Employees' Retirement System of Georgia
For the Year Ended June 30

	2015
University's proportion of the net pension liability	0.007%
University's proportionate share of the net pension liability	\$ 247,241
University's covered-employee payroll	\$ 209,459
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	118.04%
Plan fiduciary net position as a percentage of the total pension liability	77.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The University of West Georgia
Required Supplementary Information
Schedule of Contributions
Teachers Retirement System of Georgia
For the Year Ended June 30,

	2015
Contractually required contribution	\$ 5,239,015
Contributions in relation to the contractually required contribution	\$ 5,239,015
Contribution deficiency (excess)	\$ -
College's covered-employee payroll	\$ 39,652,503
Contributions as a percentage of covered-employee payroll	13.21%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**The University of West Georgia
Required Supplementary Information
Schedule of Contributions
Employees' Retirement System of Georgia
For the Year Ended June 30,**

	<u>2015</u>
Contractually required contribution	\$ 39,468
Contributions in relation to the contractually required contribution	\$ 39,468
Contribution deficiency (excess)	<u>\$ -</u>
College's covered-employee payroll	\$ 180,362
Contributions as a percentage of covered-employee payroll	21.88%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The University of West Georgia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Teachers Retirement System

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

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

Employees' Retirement System

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

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