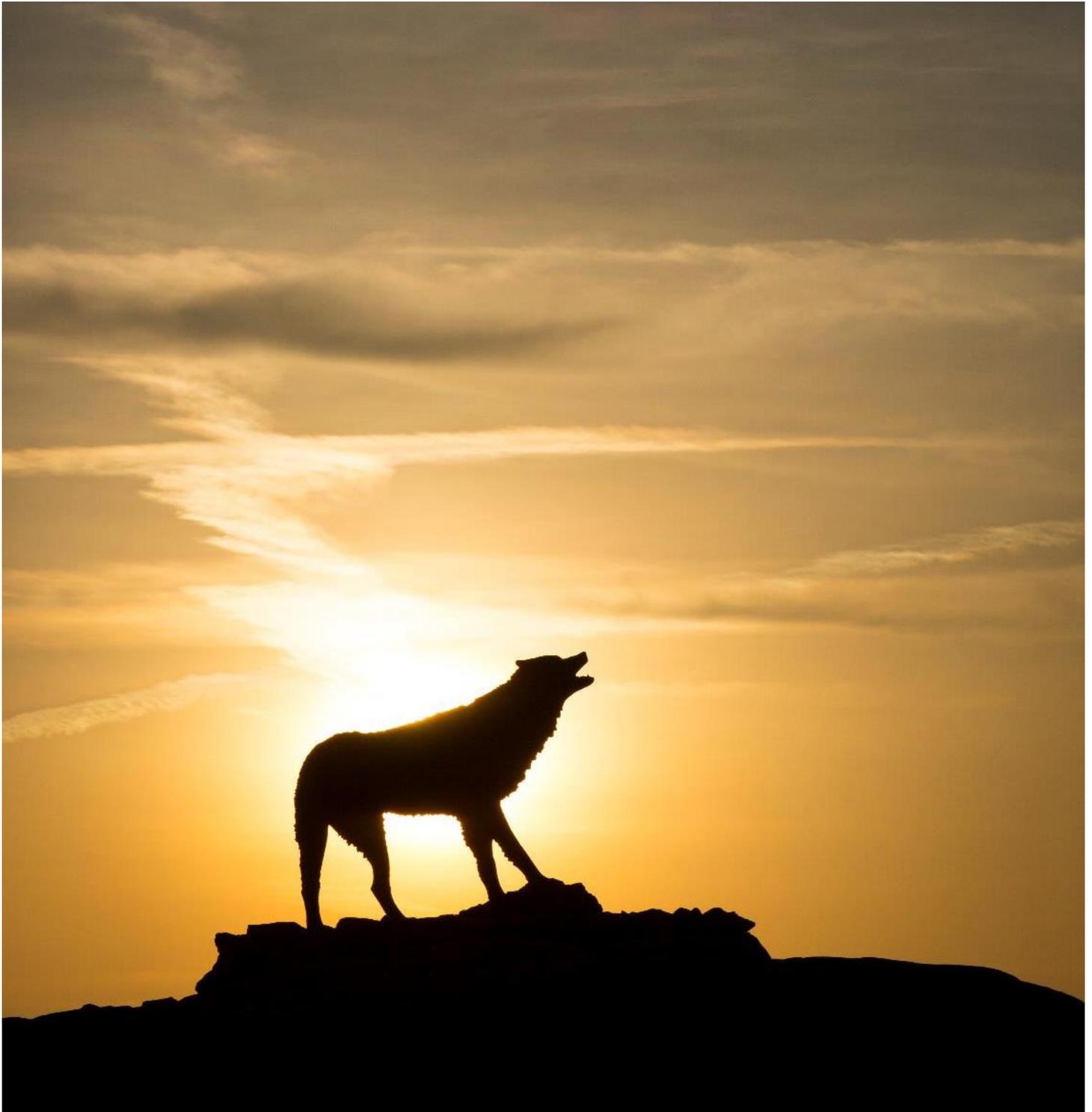


**UNIVERSITY OF WEST GEORGIA**  
**Annual Financial Report**  
**Fiscal Year Ended June 30, 2016**



**Carrollton, Georgia**

UNIVERSITY OF WEST GEORGIA  
ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2016

**Table of Contents**

Message from the President.....	3
Letter of Transmittal.....	4
Management’s Discussion and Analysis.....	5
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows.....	16
Notes to Financial Statements.....	20
Required Supplementary Information.....	45

## Message from the President

We at the University of West Georgia enjoyed another year of record growth in fiscal year 2016, surpassing previous bests in enrollment, economic development, fundraising and degrees conferred. This continued a string of several consecutive years of strategic expansion as we work to become the nation's best comprehensive university, sought after as the best place to work, learn and succeed. As we look back over the year, several areas of success stand out:

**Enrollment:** Total enrollment at UWG hit 12,834 fall 2015, up from 12,206 the year before and we are on track to reach over 13,400 fall of 2016. In the last four years, our enrollment has grown by almost 13 percent. We remain one of the most diverse universities in the Southeast in terms of student population with students representing 44 states and 75 countries.

**Graduates:** As a SACSCOC Level VI, Carnegie R3 Institution, we awarded a record 2,448 degrees, up from 2,275 in fiscal year 2015, or an increase of 7-percent. That included 1,685 bachelor's degrees, 15 post-baccalaureate certificates, two post-master's certificates, 156 education specialist degrees, 553 master's degrees and 31 doctorate degrees.

**Economic Development:** UWG contributed \$518 million to the regional economy, according to a report published by the University System of Georgia. The university's impact is up \$100 million in five years. The increase includes UWG's support of 5,161 full-time and part-time jobs; spending by the institution for salaries and fringe benefits, operating supplies and expenses, and other budgeted expenditures; spending by the students who attend UWG; and spending by the institution for capital projects were also categories measured in the study.

**Recognition:** U.S. News and World Report ranked UWG 42<sup>nd</sup> among public southern regional universities and placed our online graduate computer technology program 18<sup>th</sup> nationally and our nursing graduate program 31<sup>st</sup>. The Princeton Review ranked our WebMBA program 21<sup>st</sup> among the nation's top online programs. UWG was recognized as the University System of Georgia's Institution and President of the Year in 2015 and was nationally recognized in 2015 by the American Association of State Colleges and Universities (AASCU) in their Leadership Development and Diversity Awards for the Engage West! Initiative.

**Fundraising:** UWG continues a streak of development records, having raised \$7.9 million last year and \$27 million in gifts and pledges in the first 3 years of the New West Capital Campaign. Several gifts in the millions have helped create programs such as the Southwire Sustainable Business Honors Program, which allows students to complete their bachelor's degrees and MBAs in four years, while gaining real-world experience through working alongside executives at Southwire, the world's third-largest producer of wire and cable.

**Education Partnerships** Helping to better prepare students for college and employment, UWG spearheaded the creation of the Carrollton-Carroll County Education Collaborative (CCEC) with West Georgia Technical College (WGTC), the two local school systems, and a local preparatory school inclusive of leadership from each of these organizations, and local business leaders. Through the CCEC, the partners are expanding opportunities for students from preschool through 12th grade. The collaborative works to ensure students graduate high school prepared to enter the workforce as productive employees or to excel at two-year or four-year colleges or universities.

On behalf of everyone at the University of West Georgia, thank you for your support.

Dr. Kyle Marrero  
UWG President

**Letter of Transmittal**

August 9, 2016

To Dr. Kyle Marrero, President, University of West Georgia,

The Annual Financial Report (AFR) for the University of West Georgia (Institution) includes the financial statements for the year ended June 30, 2016, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2016.

The University of West Georgia's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institution's financial position, revenues, expenses and other changes in net position.

The Institution's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University of West Georgia's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the Institution's management. The audit of the Institution's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Respectfully submitted,

James R. Sutherland, CPA  
Senior Vice President for Business and Finance

**UNIVERSITY OF WEST GEORGIA**  
**Management's Discussion and Analysis**

**Introduction**

The University of West Georgia (Institution) is one of the 29 institutions of higher education of the University System of Georgia. As a comprehensive university, the Institution offers disciplinary, interdisciplinary, and professional programs at the baccalaureate and graduate levels. Of its 87 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 nine (9) 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 University of West Georgia earned high-rankings on BestColleges.com's most recent standings, landing No. 4 among the Best Online Colleges in Georgia and No. 11 among the Best Four-Year Colleges in Georgia.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2016	545	12,834	11,530
Fiscal Year 2015	517	12,206	11,074
Fiscal Year 2014	584	11,929	10,847

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

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

**Statement of Net Position**

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets and liabilities, both current and noncurrent. The differences between current and 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. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution.

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

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

Statement of Net Position, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015 (1)</u>
<b>Assets:</b>		
Current Assets	\$ 56,101,466	\$ 50,934,903
Capital Assets, Net	306,272,607	309,419,932
Other Assets	3,978,345	4,216,704
<b>Total Assets</b>	<u>366,352,418</u>	<u>364,571,539</u>
<b>Deferred Outflows of Resources</b>	13,737,434	10,082,511
<b>Liabilities:</b>		
Current Liabilities	18,012,065	16,396,881
Non-Current Liabilities	226,685,163	218,958,882
<b>Total Liabilities</b>	<u>244,697,228</u>	<u>235,355,763</u>
<b>Deferred Inflows of Resources</b>	5,394,685	15,536,443
<b>Net Position:</b>		
Net Investment in Capital Assets	135,399,912	134,774,177
Restricted		
Permanent Trust		
Nonexpendable	-	-
Expendable	3,446,952	3,166,466
Other Purposes	-	-
Unrestricted	<u>(8,848,925)</u>	<u>(14,178,799)</u>
<b>Total Net Position</b>	<u>\$ 129,997,939</u>	<u>\$ 123,761,844</u>

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See the Notes to the Financial Statements for more information.

Total assets and deferred outflows of resources increased by \$5,435,802, which was primarily due to an increase of \$4,791,347 in the category of Cash and Cash Equivalents.

Total liabilities and deferred inflows of resources decreased for the year by \$800,293. The combination of the increase in total assets and deferred outflows of resources and the decrease in total liabilities and deferred inflows of resources yielded an increase in net position of \$6,236,095. The increase in net position is primarily in the category of Unrestricted, in the amount of \$5,329,874, of which \$1,830,777 was comprised of prior-period adjustments. See the Notes to the Financial Statements for more information.

The Institution's current ratio was 3.11 as of June 30, 2016, which was unchanged from the prior year. This liquidity-based ratio is a measurement of an institution's ability to meet its short-term obligations. The ratio is calculated by dividing current assets by current liabilities.

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

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

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

	<u>June 30, 2016</u>	<u>June 30, 2015 (1)</u>
Operating Revenues	\$ 122,590,414	\$ 111,466,722
Operating Expenses	<u>189,091,157</u>	<u>178,449,564</u>
Operating Loss	(66,500,743)	(66,982,842)
Nonoperating Revenues and Expenses	<u>65,610,444</u>	<u>63,308,668</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	(890,299)	(3,674,174)
Other Revenues, Expenses, Gains or Losses	<u>5,295,617</u>	<u>20,849,055</u>
Increase/(Decrease) in Net Position	4,405,318	17,174,881
Net Position at Beginning of Year, as originally reported	123,761,844	160,852,731
Prior Year Adjustments	<u>1,830,777</u>	<u>(54,265,768)</u>
Net Position at Beginning of Year, Restated	<u>125,592,621</u>	<u>106,586,963</u>
Net Position at End of Year	<u>\$ 129,997,939</u>	<u>\$ 123,761,844</u>

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position.

The Statement of Revenues, Expenses and Changes in Net Position reflect a positive year, which is represented by an increase in net position at the end of the year.

**Revenue by Source**

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

	<u>June 30, 2016</u>	<u>June 30, 2015 (1)</u>
Operating Revenues		
Tuition and Fees	\$ 64,567,962	\$ 58,999,106
Federal Appropriations	-	-
Grants and Contracts	3,943,621	4,177,270
Sales and Services	656,927	624,058
Auxiliary	42,923,353	39,701,704
Other	10,498,551	7,964,584
Total Operating Revenues	<u>122,590,414</u>	<u>111,466,722</u>
Nonoperating Revenues		
State Appropriations	49,871,591	48,167,093
Grants and Contracts	24,256,354	23,427,009
Gifts	664,517	630,620
Investment Income	187,473	73,022
Other	(95,973)	452,772
Total Nonoperating Revenues	<u>74,883,962</u>	<u>72,750,516</u>
Capital Gifts and Grants		
State	4,840,073	1,847,418
Other Capital Gifts and Grants	455,544	19,001,637
Total Capital Gifts and Grants	<u>5,295,617</u>	<u>20,849,055</u>
Additions to Permanent Endowments	-	-
Total Permanent Endowments	-	-
Special Item		
Capital Asset Transfer	-	-
Total Special Item	-	-
Total Revenues	<u>\$ 202,769,993</u>	<u>\$ 205,066,293</u>

**Expenses (By Functional Classification)**  
For the Years Ended June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015 (1)</u>
Operating Expenses		
Instruction	\$ 69,332,995	\$ 65,340,064
Research	1,887,065	2,028,282
Public Service	378,081	278,710
Academic Support	18,073,565	18,206,308
Student Services	13,634,575	12,990,525
Institutional Support	18,158,761	16,840,459
Plant Operations and Maintenance	20,286,983	17,091,041
Scholarships and Fellowships	8,493,836	8,859,930
Auxiliary Enterprises	38,845,296	36,814,245
Total Operating Expenses	<u>189,091,157</u>	<u>178,449,564</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>9,273,518</u>	<u>9,441,848</u>
Total Nonoperating Expenses	<u>9,273,518</u>	<u>9,441,848</u>
Total Expenses	<u>\$ 198,364,675</u>	<u>\$ 187,891,412</u>

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See the Notes to the Financial Statements for more information.

Operating revenues increased by \$11,123,692 in fiscal year 2016 and was driven primarily by an increase in Tuition and Fees.

Nonoperating revenues increased by \$2,133,446 for the year primarily due to an increase in State Appropriations.

Other capital gifts and grants decreased by \$18,546,093 for the year primarily due to the gifted portion of the Newnan Hospital renovation in the previous year, which was \$19,001,637.

Compensation and employee benefits increased by \$7,200,965 and primarily affected the Instruction, Auxiliary Enterprises, and Institutional Support categories.

Supplies and Other Services increased by \$2,616,844 and primarily affected the Plant Operations and Maintenance category.

**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 Institution's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from

investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash Provided (used) By:		
Operating Activities	\$ (52,979,194)	\$ (53,517,195)
Non-capital Financing Activities	75,664,591	72,275,094
Capital and Related Financing Activities	(18,571,170)	(22,887,828)
Investing Activities	<u>187,473</u>	<u>73,022</u>
Net Change in Cash	4,301,700	(4,056,907)
Cash, Beginning of Year	<u>46,169,535</u>	<u>50,226,442</u>
Cash, End of Year	<u>\$ 50,471,235</u>	<u>\$ 46,169,535</u>

### Capital Assets

The University had one significant capital asset addition in fiscal year 2016. The Z6 dining facility renovation was completed and placed into service at a cost of \$1,771,389.

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 \$232,600,043 of which \$5,914,880 was reflected as current liability at June 30, 2016.

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

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

### Economic Outlook

The University is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown 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.

# **University of West Georgia Financial Statements**

**UNIVERSITY OF WEST GEORGIA****Statement of Net Position**

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**ASSETS****Current Assets**

Cash and Cash Equivalents	\$	50,471,235
Short-term Investments		-
Accounts Receivable, net		
Receivables - Federal Financial Assistance		852,009
Receivables - State General Appropriations		-
Margin Allocation Funds		-
Receivables - Other		2,338,248
Due From Affiliated Organizations		85,308
Notes Receivable, net		-
Due From Other Funds		-
Inventories		1,869,253
Prepaid Items		485,413
Other Assets		-
Total Current Assets		<u>56,101,466</u>

**Non-Current Assets**

Non-current Cash (Externally Restricted)		-
Short-term Investments (Externally Restricted)		-
Investments (Externally Restricted)		-
Due From Affiliated Organizations		-
Due From USO - Capital Liability Reserve Fund		1,357,248
Due From Institution - Capital Liability Reserve Fund		-
Investments		-
Notes Receivable, net		2,621,097
Capital Assets, net		306,272,607
Other Assets		-
Total Non-Current Assets	\$	<u>310,250,952</u>
<b>TOTAL ASSETS</b>	\$	<u><b>366,352,418</b></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Debt Refunding		1,527,754
Deferred Loss on Defined Benefit Pension Plan		12,209,680
Deferred Outflows - Other		-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	\$	<u><b>13,737,434</b></u>

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

**UNIVERSITY OF WEST GEORGIA****Statement of Net Position (Continued)****LIABILITIES****Current Liabilities**

Accounts Payable	\$	3,791,374
Salaries Payable		381,084
Benefits Payable		1,786,309
Contracts Payable		830,113
Retainage Payable		542,056
Deposits		-
Advances (Including Tuition and Fees)		4,084,566
Other Liabilities		65,080
Deposits Held for Other Organizations		616,484
Lease Purchase Obligations		3,370,725
Compensated Absences		2,537,910
Due to Affiliated Organizations		119
Due to Other Funds		-
Due to USO - Capital Liability Reserve Fund		-
Notes and Loans Payable		-
Pollution Remediation		-
Claims & Judgments		6,245
Total Current Liabilities	\$	<u>18,012,065</u>

**Non-Current Liabilities**

Lease Purchase Obligations		167,604,998
Advances (Including Tuition and Fees)		-
Compensated Absences		1,486,048
Due to USO - Capital Liability Reserve Fund		-
Net Pension Liability		57,594,117
Other Post Employment Benefits Liability		-
Other Liabilities		-
Due to Affiliated Organizations		-
Notes and Loans Payable		-
Pollution Remediation		-
Claims & Judgments		-
Total Non-Current Liabilities	\$	<u>226,685,163</u>
<b>TOTAL LIABILITIES</b>	\$	<u><u>244,697,228</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Gain on Debt Refunding		-
Deferred Gain on Defined Benefit Pension Plan		5,394,685
Deferred Grants Received in Advance of Timing		-
Deferred Service Concession Arrangements		-
Deferred Inflows - Other		-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	\$	<u>5,394,685</u>

**NET POSITION**

Net Investment in Capital Assets		135,399,912
Restricted for		
Permanent Trusts		
Nonexpendable		-
Expendable		3,446,952
Other Purposes		-
Unrestricted		(8,848,925)
<b>TOTAL NET POSITION</b>	\$	<u><u>129,997,939</u></u>

**UNIVERSITY OF WEST GEORGIA**

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

**REVENUES**

Operating Revenues		
Student Tuition and Fees (net)	\$	64,567,962
Federal Appropriations		-
Grants and Contracts		
Federal		1,711,758
State		642,596
Other		1,589,267
Sales and Services		656,927
Rents and Royalties		24,245
Auxiliary Enterprises		
Residence Halls		18,651,073
Bookstore		3,619,895
Food Services		9,420,722
Parking/Transportation		1,680,710
Health Services		2,281,657
Intercollegiate Athletics		6,917,505
Other Organizations		351,791
Other Operating Revenues		10,474,306
Total Operating Revenues		<u>122,590,414</u>

**EXPENSES**

Operating Expenses		
Salaries:		
Faculty	\$	40,341,480
Staff		43,832,303
Employee Benefits		27,451,873
Other Personal Services		719,388
Travel		1,648,050
Scholarships and Fellowships		10,945,580
Utilities		3,562,788
Supplies and Other Services		46,661,087
Depreciation		13,928,608
Total Operating Expenses		<u>189,091,157</u>
Operating Income (loss)		<u>(66,500,743)</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	\$	49,871,591
Grants and Contracts		
Federal		24,256,354
State		-
Other		-
Gifts		664,517
Investment Income (endowments, auxiliary and other)		187,473
Interest Expense (capital assets)		(9,273,518)
Other Nonoperating Revenues (Expenses)		(95,973)
Net Nonoperating Revenues		<u>65,610,444</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		<u>(890,299)</u>
Capital Grants and Gifts		
Federal		-
State		4,840,073
Other		455,544
Additions to permanent endowments		-
Special Item		-
Total Other Revenues, Expenses, Gains or Losses, and Special Item		<u>5,295,617</u>
Increase (Decrease) in Net Position		<u>4,405,318</u>

**NET POSITION**

Net Position-Beginning of Year, As Originally Reported		123,761,844
Prior Year Adjustments		1,830,777
Net Position-Beginning of Year, Restated		<u>125,592,621</u>
Net Position-End of Year	\$	<u>129,997,939</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**

Payments from Customers	\$ 118,119,452
Federal Appropriations	
Grants and Contracts (Exchange)	4,145,306
Payments to Suppliers	(78,566,733)
Payments to Employees	(85,480,641)
Payments for Scholarships and Fellowships	(10,945,580)
Loans Issued to Students	(251,288)
Collection of Loans to Students	-
Other Payments	290
Net Cash Provided (Used) by Operating Activities	(52,979,194)

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

State Appropriations	\$ 49,871,591
Agency Funds Transactions	1,064,213
Gifts and Grants Received for Other Than Capital Purposes	24,808,229
Other Noncapital Financing Receipts	(63,953)
Other Noncapital Financing Payments	(15,489)
Net Cash Flows Provided by Non-capital Financing Activities	75,664,591

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

Capital Gifts and Grants Received	\$ 3,586,953
Proceeds from Sale of Capital Assets	-
Purchases of Capital Assets	(9,517,595)
Principal Paid on Capital Debt and Leases	(3,444,973)
Interest Paid on Capital Debt and Leases	(9,195,555)
Net Cash used by Capital and Related Financing Activities	(18,571,170)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ -
Investment Income	187,473
Purchase of Investments	-
Net Cash Provided (used) by Investing Activities	187,473
Net Increase/Decrease in Cash	4,301,700
Cash and Cash Equivalents - Beginning of year	46,169,535
Cash and Cash Equivalents - End of Year	\$ 50,471,235

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

**UNIVERSITY OF WEST GEORGIA****Statement of Cash Flows (Continued)**

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

Operating Income (loss)	\$ (66,500,743)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	13,928,608
Operating Expenses Related to Noncash Gifts	-
Change in Assets and Liabilities:	
Receivables, net	393
Inventories	(61,485)
Prepaid Items	449,757
Other Assets	-
Notes Receivable, Net	(251,288)
Accounts Payable	(889,002)
Salaries Payable	98,673
Benefits Payable	213,665
Contracts Payable	114,515
Retainage Payable	40,788
Deposits	-
Advances (Including Tuition & Fees)	553,861
Other Liabilities	1,121
Funds Held for Others	290
Compensated Absences	240,247
Due to Affiliated Organizations	119
Pollution Remediation	-
Claims and Judgments	6,245
Net Pension Liability	13,213,259
Other Post-Employment Benefit Liability	-
Change in Deferred inflows/outflows of resources:	
Deferred Inflows of Resources	(10,141,758)
Deferred Outflows of Resources	(3,996,459)
Net Cash Provided (used) by Operating Activities	<u>\$ (52,979,194)</u>

The accompanying notes are an integral part of these financial statements

UNIVERSITY OF WEST GEORGIA

Statement of Cash Flows (Continued)

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

Non-capital Financing Activities Accounts Receivable, Net of Allowances	\$ 161,160
Recognition of Non-capital Financing Activities Advances and Deferred Inflows	\$ -
New Noncapital Financing Debt	\$ -
Increase in Noncapital Debt Related to Capitalized Interest	\$ -
Adjustments to Noncapital Debt Beginning Balance Ran Through Current Year Activity	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	\$ 1,253,120
Gift of Capital Assets	\$ 455,544
Loss on Disposal of Capital Assets	\$ (16,531)
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	\$ -
Accrual of Capital Asset Related Payables	\$ (1,424,726)
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ -
Gain/Loss on Capital Debt Refunded	\$ -
Increase in Capital Debt due to Capitalized Interest	\$ -
Adjustments to Capital Debt Beginning Balance Ran Through Current Year Activity	\$ -
Recognition of Capital Financing Activities Advances and Deferred Inflows	\$ -
Amortization of Deferred Gain/Loss of Capital Debt Refunded	\$ (77,963)
Accrual of Capital Financing Interest Payable	\$ -
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Unrealized Gain/Loss on Investments	\$ -
Gift of Investments	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -

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

### **Reporting Entity**

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

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

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

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

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

**Basis of Accounting and Financial Statement Presentation**

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

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

**New Accounting Pronouncements**

For fiscal year 2016, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements.

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

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

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

**Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. 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. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institution's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories**

Consumable supplies and resale inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**Prepaid Items**

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

**Capital Assets**

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

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

**Due From USO - Capital Liability Reserve Fund**

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

**Deferred Outflows of Resources**

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

**Advances**

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

**Deposits Held for Other Organizations**

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

**Claims and Judgments:**

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Institution has recorded applicable liabilities related to refunds to the Georgia Student Finance Commission for disallowed expenditures.

**Compensated Absences**

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

**Noncurrent Liabilities**

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

**Deferred Inflows of Resources**

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

**Pensions and Net Pension Liability**

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

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

## **Net Position**

The Institution's net position is classified as follows:

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

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

*Unrestricted:* Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$322,975. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

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

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

See Note 10, Net Position, for additional information.

## **Income Taxes**

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

## **Classification of Revenues and Expenses**

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

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust*

*Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

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

### **Scholarship Allowances**

Scholarship allowances are the difference between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$21,108,843 and \$185,165, respectively.

### **Restatement of Prior Year Net Position**

The Institution made the following restatement related to business-type activities:

- For fiscal year 2016, the Institution increased beginning net position related to the re-evaluation of capital lease agreements between the Institution and the related foundations in the amount of \$2,094,350. The related decrease in beginning net position related to the Deferred Loss on Debt Refunding was \$263,573. These adjustments were necessary to ensure the Institution's capital lease payables agreed with the related foundations' capital lease receivables for consolidated reporting purposes.

Below is a summary of adjustments made to July 1, 2015 Net Position.

Net Position, Beginning of Year, As Originally Reported	\$ 123,761,844
Adjustments related to re-evaluation of capital assets and capital lease agreements	
Decrease in capital lease liability	2,094,350
Decrease in deferred loss on debt refunding	(263,573)
	<hr/>
Net Position, Beginning of Year, Restated	\$ <u>125,592,621</u>

## Note 2. Deposits and Investments

### Deposits

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

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

At June 30, 2016, the carrying value of deposits was \$20,648,316 and the bank balance was \$21,281,509. Of the Institution's deposits, \$20,928,292 were uninsured. Of these uninsured deposits, \$0 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name, \$20,928,292 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the Institution's name, and \$0 were uncollateralized.

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

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

Business-type Activities	
Statement of Net Position	
Cash and Cash Equivalents	\$ 50,471,235
Non-Current Cash and Cash Equivalents	-
Fiduciary Fund	-
Pension and Other Post Employment Benefit Trust Funds	-
Statement of Fiduciary Net Pension	
Cash and Cash Equivalents	-
	<hr/>
Total Cash and Cash Equivalents	50,471,235
<b>Add:</b>	
Deposits with original maturity over 90 days reported as Investments	-
<b>Less:</b>	
Cash on Hand	(60,140)
Investments with original maturity less than 90 days reported as Cash and Cash Equivalents	-
Investment pool reported as Cash and Cash Equivalents	
Board of Regents Short-Term Fund	(21,494,784)
Georgia Fund 1	(8,267,995)
	<hr/>
<b>Total Carrying Value of Deposits - June 30, 2016</b>	<b>\$ 20,648,316</b>

## Investments

At June 30, 2016, the carrying value of the Institution's investments were \$29,762,779, 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	\$ 21,494,784
Legal Fund	
Balanced Income Fund	
Total Return Fund	
Diversified Fund	
Sub Total	<u>21,494,784</u>
Office of the State Treasurer	
Georgia Fund 1	8,267,995
Georgia Extended Asset Pool	
Sub Total	<u>8,267,995</u>
Total Investment Pools	<u>\$ 29,762,779</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>.

### **Required for institutions with Georgia Fund and Georgia Extended Asset Pool**

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. 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 42 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 0.47 years. Of the Institution's total investment of \$21,494,784 in the Short Term Fund, \$21,494,794 is invested in debt securities.

### Note 3. Accounts Receivable

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

	<b>June 30, 2016</b>	
	<u>Business Type Activities</u>	
Student Tuition and Fees	\$	439,361
Auxiliary Enterprises and Other Operating Activities		981,084
Federal Financial Assistance		852,009
State General Appropriations Allotment		-
Georgia Student Finance Commission		-
Georgia State Financing and Investment Commission		1,253,120
Margin Allocation Funds		-
Due from Affiliated Organizations		85,308
Due from USO-Capital Liability Reserve Fund		1,357,248
Other		680,118
		<u>5,648,248</u>
Less: Allowance for Doubtful Accounts		<u>1,015,435</u>
Net Accounts Receivable	\$	<u>4,632,813</u>

### Note 4. Inventories

Inventories consisted of the following at June 30, 2016:

Consumable Supplies	\$	94,912
Merchandise for Resale		<u>1,774,341</u>
Total	\$	<u><u>1,869,253</u></u>

### Note 5. Notes/Loans Receivable

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

## Note 6. Capital Assets

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

	(Restated) Beginning Balances July 1, 2015	Capital Leases and Capitalized Collections Recategorization	Special Item Transfer	Additions	Reductions	Ending Balance June 30, 2016
<b>Capital Assets, Not Being Depreciated:</b>						
Land	\$ 8,281,634	\$ 4,202,011	\$ -	\$ -	\$ -	\$ 12,483,645
Capitalized Collections	-	18,900	-	-	-	18,900
Construction Work-in-Progress	11,594,095	-	-	10,292,706	10,709,314	11,177,487
Software Development-in-Progress	-	-	-	-	-	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 19,875,729</b>	<b>\$ 4,220,911</b>	<b>\$ -</b>	<b>\$ 10,292,706</b>	<b>\$ 10,709,314</b>	<b>\$ 23,680,032</b>
<b>Capital Assets, Being Depreciated/Amortized:</b>						
Infrastructure	6,601,298	-	-	-	-	6,601,298
Building and Building Improvements	183,740,424	172,546,757	-	9,332,189	1,840,655	363,778,715
Facilities and Other Improvements	3,845,482	4,159,691	-	471,732	-	8,476,905
Equipment	23,943,787	3,227,267	-	1,478,861	712,855	27,937,060
Capital Leases	184,135,726	(184,135,726)	-	-	-	-
Library Collections	18,886,442	-	-	150,401	110,932	18,925,911
Capitalized Collections	53,779	(18,900)	-	9,500	-	44,379
Water, Timber, Mineral Rights, and Easements	-	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-	-
Software	-	-	-	-	-	-
<b>Total Capital Assets Being Depreciated/Amortized</b>	<b>\$ 421,206,938</b>	<b>\$ (4,220,911)</b>	<b>\$ -</b>	<b>\$ 11,442,683</b>	<b>\$ 2,664,442</b>	<b>\$ 425,764,268</b>
<b>Less: Accumulated Depreciation/Amortization</b>						
Infrastructure	1,694,956	-	-	237,647	-	1,932,603
Building and Building Improvements	61,668,234	30,912,902	-	10,762,266	1,654,363	101,689,039
Facilities and Other Improvements	1,877,028	1,123,117	-	335,004	-	3,335,149
Equipment	14,992,684	3,210,083	-	1,985,028	654,355	19,533,440
Capital Leases	35,246,102	(35,246,102)	-	-	-	-
Library Collections	16,183,731	-	-	608,663	110,932	16,681,462
Capitalized Collections	-	-	-	-	-	-
Water, Timber, Mineral Rights, and Easements	-	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-	-
Software	-	-	-	-	-	-
<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ 131,662,735</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,928,608</b>	<b>\$ 2,419,650</b>	<b>\$ 143,171,693</b>
<b>Total Capital Assets, Being Depreciated/Amortized,</b>	<b>289,544,203</b>	<b>(4,220,911)</b>	<b>-</b>	<b>(2,485,925)</b>	<b>244,792</b>	<b>282,592,575</b>
<b>Capital Assets, net</b>	<b>\$ 309,419,932</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,806,781</b>	<b>\$ 10,954,106</b>	<b>\$ 306,272,607</b>

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institution when complete. For projects managed by the Institution, the Institution retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2016, GSFIC did not transfer any capital additions to the Institution. GSFIC-retained construction in progress for the renovation and expansion of the Biology building was \$84,744.

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

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

	<u>Current Liabilities</u>	<u>Non-Current Liabilities</u>
Prepaid Tuition and Fees	\$ 3,363,215	\$ -
Research	440,581	-
Other - Advances	280,770	-
	<hr/>	<hr/>
Totals	<u>\$ 4,084,566</u>	<u>\$ -</u>

### Note 8. Long Term Liabilities

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

	Restated Beginning			Ending	
	Balance			Balance	Current
	July 1, 2015	Additions	Reductions	June 30, 2016	Portion
Leases					
Lease Purchase Obligations	\$ 174,420,696	\$ -	\$ 3,444,973	\$ 170,975,723	\$ 3,370,725
Other Liabilities					
Advances (Including Tuition and Fees)	1,750	-	1,750	-	-
Compensated Absences	3,783,712	3,233,910	2,993,664	4,023,958	2,537,910
Net Pension Liability	44,380,858	13,213,259	-	57,594,117	-
Notes and Loans Payable	-	-	-	-	-
Claims and Judgments	-	6,245	-	6,245	6,245
Other Post Employment Benefits Liability	-	-	-	-	-
Pollution Remediation	-	-	-	-	-
Total	<u>48,166,320</u>	<u>16,453,414</u>	<u>2,995,414</u>	<u>61,624,320</u>	<u>2,544,155</u>
Total Long-Term Obligations	<u>\$ 222,587,016</u>	<u>\$ 16,453,414</u>	<u>\$ 6,440,387</u>	<u>\$ 232,600,043</u>	<u>\$ 5,914,880</u>

### Note 9. Service Concession Arrangements

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

### Note 10. Net Position

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

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

**NET POSITION**

Net Investment in Capital Assets	\$ 135,399,912
Restricted for	
Permanent Trust	
Nonexpendable	-
Permanent Endowment	-
Expendable	
Restricted E&G and Other	
Organized Activities	502,579
Federal Loans	2,597,242
Institutional Loans	347,131
Term Endowments	-
Quasi-Endowments	-
Capital Projects	-
Health Insurance Reserve	-
Sub-Total	<u>3,446,952</u>
Other Purposes	
Unrestricted	
Auxiliary Operations	8,325,370
R & R Reserve	9,015,413
Reserve for Encumbrances	18,549,466
Reserve for Inventory	120,153
Other Unrestricted	(46,216,575)
USO Reserve Fund	1,357,248
Sub-Total	<u>(8,848,925)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 129,997,939</u></u>

**Note 11. Endowments**

**Donor Restricted Endowments:**

As of June 30, 2016, the University of West Georgia did not have any donor-restricted endowments.

**Note 12. Significant Commitments**

The Institution had other significant unearned, outstanding, construction or renovation contracts executed in the amount of \$8,194,175 as of June 30, 2016. This amount is not reflected in the accompanying basic financial statements.

### Note 13. Lease Obligations

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

#### Capital Leases

Capital leases are generally payable in installments ranging from monthly to semi-annually and have terms expiring in various years between 2028 and 2042. Expenditures for fiscal year 2016 were \$13,753,694 of which \$9,195,555 represented interest and \$1,113,166 represented executory costs. Total principal paid on capital leases was \$3,444,973 for the fiscal year ended June 30, 2016. Interest rates range from 4.24 percent to 6.91 percent.

#### CAPITAL LEASE SCHEDULE

<u>Description</u>	<u>Lessor</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin Month/Year</u>	<u>End Month/Year</u>	<u>Outstanding Principal Balance at June 30, 2016</u>	
University Suites	UWG Foundation, Inc.	\$ 13,385,468	24 Yrs	SEP 2004	JUN 2028	\$ 8,411,044	(1)
Arbor View Apartments	UWG Foundation, Inc.	17,363,422	25 Yrs	AUG 2005	JUN 2030	13,567,702	(1)
Greek Village	UWG Foundation, Inc.	18,016,293	30 Yrs	AUG 2009	JUN 2039	17,955,721	(1)
University Campus Ctr.	UWG Real Estate Foundation, Inc.	27,100,000	23 Yrs	AUG 2012	JUN 2035	26,389,505	(1)
Athletic Complex	UWG Real Estate Foundation, Inc.	27,660,000	24 Yrs	JAN 2015	JUN 2039	27,439,577	(1)
Center Pointe Suites	UWG Real Estate Foundation, Inc.	23,900,106	29 Yrs	JUL 2012	JUN 2041	23,139,964	(1)
Athletic Office Bldg.	UWG Real Estate Foundation, Inc.	3,756,636	27 Yrs	AUG 2012	JUN 2039	3,512,299	(1)
Parking Lots	UWG Foundation, Inc.	4,159,691	31 Yrs	JUL 2008	JUN 2039	4,351,091	(1)
University Bookstore	USG Real Estate Foundation III, Inc.	5,640,416	30 Yrs	JUN 2011	JUN 2041	5,375,620	(1)
East Commons	UWG Real Estate Foundation, Inc.	11,681,410	29 Yrs	AUG 2013	JUN 2042	11,289,625	(1)
Bowdon Hall	UWG Real Estate Foundation, Inc.	9,141,259	29 Yrs	AUG 2013	JUN 2042	8,832,843	(1)
The Oaks	UWG Real Estate Foundation, Inc.	21,434,416	29 Yrs	AUG 2013	JUN 2042	20,710,732	(1)
Total Leases		\$ 183,239,117				\$ 170,975,723	

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

## Operating Leases

The Institution's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2017 through 2021. 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 \$666,594 for the fiscal year ended June 30, 2016.

## Future Commitments

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

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2017	\$ 13,558,822	\$ 289,046
2018	13,834,873	149,126
2019	14,028,662	101,915
2020	14,218,212	28,706
2021	14,410,930	799
2022 through 2026	74,913,565	-
2027 through 2031	74,651,664	-
2032 through 2036	61,567,514	-
2037 through 2041	43,697,918	-
2042 through 2046	3,225,429	-
2047 through 2051	-	-
Total minimum lease payments	\$ 328,107,589	\$ 569,592
Less: Interest	126,969,664	
Less: Executory costs (if paid)	30,162,202	
Principal Outstanding	<u>\$ 170,975,723</u>	

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

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2016 (=)	Outstanding Balances per lease schedules at June 30, 2016
Leased Land & Land Improvements	\$ 4,202,011	\$ -	\$ 4,202,011	\$ 3,892,069
Leased Infrastructure	0	0	0	0
Leased Equipment	3,227,268	3,218,333	8,935	2,989,223
Leased Buildings & Building Improvements	173,002,300	36,821,811	136,180,489	160,241,561
Leased Facilities and Other Improvements	4,159,691	1,289,504	2,870,187	3,852,870
Total Assets Held Under Capital Lease at June 30, 2016	<u>\$ 184,591,270</u>	<u>\$ 41,329,648</u>	<u>\$ 143,261,622</u>	<u>\$ 170,975,723</u>

#### Note 14. Retirement Plans

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

In addition to the retirement plans administered by TRS and ERS, the University System of Georgia administers the Regents Retirement Plan as an optional retirement plan.

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

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

##### Summary of Significant Accounting Policies

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

##### General Information about the Teachers Retirement System

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

provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

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

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

The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27 % of annual Institution payroll. Institution contributions to TRS were \$6,154,630 for the year ended June 30, 2016.

#### **General Information about the Employees' Retirement System**

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

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

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

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

**Contributions:** Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions

are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old plan members and for new plan members, and 21.69% for GSEPS members. The Institution's contributions to ERS totaled \$46,712 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2016, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30 2015, the Institution's TRS proportion was 0.376%, which was an increase of 0.027% from its proportion measured as of June 30, 2014. At June 30, 2015, the Institution's ERS proportion was 0.007%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Institution recognized pension expense of \$5,301,737 for TRS and (\$25,353) for ERS. At June 30, 2015, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 503,980	\$ -	\$ 2,353
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,833,287	-	21,245
Changes in proportion and differences between University contributions and proportionate share of contributions	5,989,413	-	18,925	33,820
University contributions subsequent to the measurement date	6,154,630	-	46,712	-
Total	<u>\$12,144,043</u>	<u>\$ 5,337,267</u>	<u>\$ 65,637</u>	<u>\$ 57,418</u>

Institution contributions subsequent to the measurement date of \$6,154,630 for TRS and \$46,712 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension

liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	\$ (811,285)	\$(32,241)
2018	\$ (811,285)	\$ (3,946)
2019	\$ (811,289)	\$ (9,470)
2020	\$ 2,932,779	\$ 7,164
2021	\$ 153,225	\$ -
Thereafter	\$ -	\$ -

**Actuarial assumptions:** The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

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

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

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

**Employees' Retirement System**

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

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

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

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
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 Institution's proportionate share of the net pension liability to changes in the discount rate:** The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

**Teachers Retirement System:**

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 98,465,135	\$ 57,299,661	\$ 23,369,515

**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	\$ 417,401	\$ 294,456	\$ 189,640

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

## A. Defined Contribution Plan:

### Regents Retirement Plan

#### Plan Description

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

#### Funding Policy

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

The Institution and the covered employees made the required contributions of \$3,028,347 (9.24%) and \$1,978,672 (6%), respectively.

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

### Note 15. Risk Management

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

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

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

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

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

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

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

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

#### **Note 16. Contingencies**

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

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

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

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

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institution pays the

employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 464 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred \$2,058,768 of expenditures, which was net of \$723,166 of participant contributions.

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

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

Natural Classification	Functional Classification					
	Fiscal Year 2016					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 34,484,515	\$ 359,265	\$ 3,333	\$ 3,446,456	\$ 401,929	\$ 1,293,023
Staff	7,814,196	390,968	167,349	6,615,777	6,890,156	7,601,080
Benefits	12,233,744	148,501	51,921	3,094,553	2,157,953	4,638,315
Personal Services	137,201	-	-	-	21,009	398,769
Travel	835,094	54,877	9,089	277,329	135,089	111,511
Scholarships and Fellowships	202,542	129,492	-	-	12,040	19,539
Utilities	79,458	1,820	2,073	19,793	35,722	13,427
Supplies and Other Services	11,260,352	719,249	144,316	3,462,683	3,188,610	3,816,996
Depreciation	2,285,893	82,893	-	1,156,974	792,067	266,101
<b>Total Expenses</b>	<b>\$ 69,332,995</b>	<b>\$ 1,887,065</b>	<b>\$ 378,081</b>	<b>\$ 18,073,565</b>	<b>\$ 13,634,575</b>	<b>\$ 18,158,761</b>

Natural Classification	Functional Classification					Total Expenses
	Fiscal Year 2016					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	AU Only Patient Care	
Faculty	\$ 229,904	\$ -	\$ 123,055	\$ -	\$ -	\$ 40,341,480
Staff	4,456,551	-	9,896,226	-	-	43,832,303
Benefits	2,981,297	1,815	2,143,774	-	-	27,451,873
Personal Services	-	-	162,409	-	-	719,388
Travel	43,696	-	181,365	-	-	1,648,050
Scholarships and Fellowships	-	8,492,021	2,089,946	-	-	10,945,580
Utilities	1,634,929	-	1,775,566	-	-	3,562,788
Supplies and Other Services	7,952,877	-	16,116,004	-	-	46,661,087
Depreciation	2,987,729	-	6,356,951	-	-	13,928,608
Total Expenses	<u>\$ 20,286,983</u>	<u>\$ 8,493,836</u>	<u>\$ 38,845,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,091,157</u>

#### Note 19. Subsequent Events

No subsequent events were noted.

#### Note 20. Affiliated Organizations

Under Board of Regents policy, each individual institution may establish agreements with foundations to provide valuable assistance in fundraising, public outreach and other support for the missions of the respective campuses and the USG. Although independent boards govern these foundations, their assets are generally dedicated for the benefit of the related institution and the USG. The UWG Real Estate Foundation, Inc., the University of West Georgia Foundation, Inc. and the UWG Athletic Foundation, Inc. are legally separate, tax-exempt organizations whose activities primarily support the University of West Georgia.

Through the normal course of operations, the University of West Georgia both receives funds and/or assets from and provides funds and/or assets to the before mentioned affiliated organizations in support of scholarships and other supporting activities of the Institution.

Additionally, the University receives funds from affiliated organizations related to the compensation package of the University's President and Vice-President for University Advancement, which includes auto allowances. During the fiscal year, the University reported revenue of approximately \$25,000 related to these gifts, which is included in the total funds summarized below.

Total funds received and/or provided during the fiscal year related to these activities (excluding lease activities previously disclosed in Note 13) are as follows:

Affiliated Organization	Activity Reported by University			
	Revenue	Outstanding Receivable or Other Assets	Expense	Outstanding Payable or Other Liabilities
UWG Real Estate Foundation	\$ -	\$ -	\$ -	-
UWG Foundation	1,764,941	85,308	1,570,418	119
UWG Athletic Foundation	436,365	-	326,910	-
Total	\$ 2,201,306	\$ 85,308	\$ 1,897,328	\$ 119

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

Of the before mentioned affiliated organizations, the elected officials of the primary government are financially accountable for the University of West Georgia Real Estate Foundation Inc.; and the primary government is such that exclusion from the reporting entity would render the State's CAFR misleading. This affiliated organization has been determined to be significant to the State, and as such, is reported as a component unit in the State's CAFR.

# Required Supplementary Information

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

	<u>Year Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Teachers Retirement System of Georgia	6/30/2016	0.376%	\$ 57,299,661	\$ 42,445,253	135.00%	81.44%
Teachers Retirement System of Georgia	6/30/2015	0.349%	\$ 44,133,617	\$ 35,616,406	123.91%	84.03%

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

	<u>Year Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Employees' Retirement System of Georgia	6/30/2016	0.007%	\$ 294,456	\$ 200,704	146.71%	76.20%
Employees' Retirement System of Georgia	6/30/2015	0.007%	\$ 247,241	\$ 209,459	118.04%	77.99%

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

	Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Teachers Retirement System of Georgia	6/30/2016	\$ 6,154,630	\$ 6,154,630	\$ -	\$ 42,445,253	14.50%
Teachers Retirement System of Georgia	6/30/2015	\$ 5,224,342	\$ 5,224,342	\$ -	\$ 39,652,503	13.18%
Teachers Retirement System of Georgia	6/30/2014	\$ 3,778,698	\$ 3,778,698	\$ -	\$ 33,120,850	11.41%
Teachers Retirement System of Georgia	6/30/2013	\$ 3,248,761	\$ 3,248,761	\$ -	\$ 31,602,733	10.28%
Teachers Retirement System of Georgia	6/30/2012	\$ 3,158,430	\$ 3,158,430	\$ -	\$ 30,724,027	10.28%
Teachers Retirement System of Georgia	6/30/2011	\$ 2,997,601	\$ 2,997,601	\$ -	\$ 30,776,191	9.74%
Teachers Retirement System of Georgia	6/30/2010	\$ 2,681,880	\$ 2,681,880	\$ -	\$ 28,899,569	9.28%
Teachers Retirement System of Georgia	6/30/2009	\$ 2,534,743	\$ 2,534,743	\$ -	\$ 27,314,041	9.28%
Teachers Retirement System of Georgia	6/30/2008	\$ 2,372,082	\$ 2,372,082	\$ -	\$ 25,561,228	9.28%
Teachers Retirement System of Georgia	6/30/2007	\$ 2,242,017	\$ 2,242,017	\$ -	\$ 24,264,253	9.24%

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

	Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Employees' Retirement System of Georgia	6/30/2016	\$ 46,712	\$ 46,712	\$ -	\$ 200,704	23.27%
Employees' Retirement System of Georgia	6/30/2015	\$ 36,490	\$ 36,490	\$ -	\$ 180,362	20.23%
Employees' Retirement System of Georgia	6/30/2014	\$ 33,241	\$ 33,241	\$ -	\$ 251,697	13.21%
Employees' Retirement System of Georgia	6/30/2013	\$ 31,052	\$ 31,052	\$ -	\$ 266,999	11.63%
Employees' Retirement System of Georgia	6/30/2012	\$ 15,154	\$ 15,154	\$ -	\$ 145,572	10.41%
Employees' Retirement System of Georgia	6/30/2011	\$ 12,533	\$ 12,533	\$ -	\$ 120,394	10.41%
Employees' Retirement System of Georgia	6/30/2010	\$ 8,819	\$ 8,819	\$ -	\$ 83,884	10.51%
Employees' Retirement System of Georgia	6/30/2009	\$ 7,856	\$ 7,856	\$ -	\$ 74,151	10.59%
Employees' Retirement System of Georgia	6/30/2008	\$ 8,230	\$ 8,230	\$ -	\$ 78,576	10.47%
Employees' Retirement System of Georgia	6/30/2007	\$ 8,229	\$ 8,229	\$ -	\$ 79,049	10.41%

**University of West Georgia**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

**Teachers Retirement System**

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

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

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

**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, 2016 reported in that schedule:

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