

# UNIVERSITY OF WEST GEORGIA

## Financial Report

For the Year Ended  
June 30, 2014

The University of West Georgia

Carrollton, Georgia

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President

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Senior VP for Business & Finance

UNIVERSITY OF WEST GEORGIA  
ANNUAL FINANCIAL REPORT  
FY 2014

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# UNIVERSITY OF WEST GEORGIA

## *Management's Discussion and Analysis*

### ***Introduction***

The University of West Georgia is one of the 31 institutions of higher education of the University System of Georgia. As a comprehensive university, West Georgia offers disciplinary, interdisciplinary, and professional programs at the baccalaureate and graduate levels. Of its 96 programs of study, 52 operate at the Bachelor's level, 32 at the Master's and Specialist's levels, and four are doctoral. In addition, the University offers eight (8) Post-Baccalaureate programs. The University has achieved national recognition in areas such as academic debate, faculty-directed undergraduate research, and athletic competition. The Princeton Review identified UWG as one of the "Best Southeastern Colleges" and one of the "Best Value Colleges."

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2014	584	11,929	10,845
Fiscal Year 2013	553	11,769	10,638
Fiscal Year 2012	448	11,646	10,575

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

The University of West Georgia is pleased to present its financial statements for fiscal year 2014. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2014 and fiscal year 2013.

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

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point-of-time financial statement. The Statement of Net Position presents a fiscal snapshot of the University of West Georgia. The Statement of Net Position presents end-of-year data concerning assets (current and non-current) plus deferred outflows, and liabilities (current and non-current) plus deferred inflows, and net position (assets plus deferred outflows minus liabilities plus deferred inflows). The differences between current and non-current assets are discussed in the Notes to the Financial Statements.

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.

Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution.

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, 2014</u>	<u>June 30, 2013</u>
<b>Assets:</b>		
Current Assets	\$ 54,398,160	\$ 55,857,444
Capital Assets, Net	301,447,649	258,736,231
Other Assets	3,838,655	2,690,529
<b>Total Assets</b>	<u>359,684,464</u>	<u>317,284,204</u>
<b>Deferred Outflows of Resources</b>		
<b>Liabilities:</b>		
Current Liabilities	14,642,859	14,566,551
Non-Current Liabilities	184,188,874	142,317,072
<b>Total Liabilities</b>	<u>198,831,733</u>	<u>156,883,623</u>
<b>Deferred Inflows of Resources</b>		
<b>Net Position:</b>		
Net Investment in Capital Assets	114,970,596	115,179,013
Restricted		
Nonexpendable		
Expendable	2,706,050	2,851,979
Unrestricted	43,176,085	42,369,589
<b>Total Net Position</b>	<u>\$ 160,852,731</u>	<u>\$ 160,400,581</u>

Total assets and deferred outflows of resources increased by \$42,400,260 , which was primarily due to an increase of \$42,711,418 in the category of Capital Assets, Net.

Total liabilities and deferred inflows of resources increased for the year by \$41,948,110 . The combination of the increase in total assets and deferred outflows of resources of \$42,400,260 and the increase in total liabilities and deferred inflows of resources of \$41,948,110 yields an increase in net position of \$452,150 . The increase in net position is primarily in the category of Unrestricted, in the amount of \$806,496.

### ***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, 2014</u>	<u>June 30, 2013</u>
Operating Revenues	\$ 106,859,454	\$ 98,488,139
Operating Expenses	<u>170,104,799</u>	<u>157,069,310</u>
Operating Loss	(63,245,345)	(58,581,171)
Nonoperating Revenues and Expenses	<u>59,060,757</u>	<u>56,896,661</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	(4,184,588)	(1,684,510)
Other Revenues, Expenses, Gains or Losses	<u>4,636,738</u>	<u>17,984,983</u>
Increase in Net Assets	452,150	16,300,473
Net Position at Beginning of Year, as originally reported	<u>160,400,581</u>	<u>144,100,108</u>
Net Position at End of Year	<u>\$ 160,852,731</u>	<u>\$ 160,400,581</u>

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. Some highlights of the information presented on this statement are as follows:

Revenue by Source  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Revenues		
Tuition and Fees	\$ 56,501,671	\$ 55,871,970
Grants and Contracts	3,558,265	3,272,770
Sales and Services	614,510	646,117
Auxiliary	39,594,393	35,332,906
Other	6,590,615	3,364,376
Total Operating Revenues	<u>106,859,454</u>	<u>98,488,139</u>
Nonoperating Revenues		
State Appropriations	44,262,247	42,936,722
Grants and Contracts	22,931,534	21,251,807
Gifts	30,810	503,031
Investment Income	207,290	268,502
Other	678,275	(774,741)
Total Nonoperating Revenues	<u>68,110,156</u>	<u>64,185,321</u>
Capital Gifts and Grants		
State	4,636,738	17,984,983
Total Capital Gifts and Grants	<u>4,636,738</u>	<u>17,984,983</u>
Total Revenues	<u>\$ 179,606,348</u>	<u>\$ 180,658,443</u>

Expenses (By Functional Classification)  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Expenses		
Instruction	\$ 62,448,990	\$ 56,104,999
Research	1,598,426	1,740,696
Public Service	413,682	312,193
Academic Support	16,410,000	16,947,665
Student Services	11,012,488	10,629,061
Institutional Support	18,689,106	14,063,119
Plant Operations and Maintenance	15,788,868	16,115,537
Scholarships and Fellowships	9,340,945	9,465,432
Auxiliary Enterprises	34,402,294	31,690,608
Total Operating Expenses	170,104,799	157,069,310
Nonoperating Expenses		
Interest Expense (Capital Assets)	9,049,399	7,288,660
Total Expenses	<u>\$ 179,154,198</u>	<u>\$ 164,357,970</u>

Operating revenues increased by \$8,371,315 in fiscal year 2014 and was driven primarily by an increase in Auxiliary and Other revenues.

Nonoperating revenues increased \$3,924,835 for the year primarily due to an increase in Grants and Contracts.

The compensation and employee benefits category increased by \$6,934,768 and primarily affected the Instruction, Institutional Support, and Plant Operations categories.

Supplies and Other Services increased by \$4,052,615 and primarily affected the Institutional Support, Instruction and Auxiliary categories.

### **Statement of Cash Flows**

The final statement presented by the University of West Georgia is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. 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, 2014 and 2013, Condensed

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash Provided (used) By:		
Operating Activities	\$ (51,682,056)	\$ (45,971,510)
Non-capital Financing Activities	68,428,359	65,100,506
Capital and Related Financing Activities	(17,131,573)	(13,334,016)
Investing Activities	<u>207,290</u>	<u>268,503</u>
Net Change in Cash	(177,980)	6,063,483
Cash, Beginning of Year	<u>50,404,422</u>	<u>44,340,939</u>
Cash, End of Year	<u>\$ 50,226,442</u>	<u>\$ 50,404,422</u>

### **Capital Assets**

The University had three significant capital asset additions for facilities in fiscal year 2014: The Bowdon Hall renovation was completed and placed into service in August 2013 at a cost of \$9.5 million; the East Commons dining facility was completed and placed into service in August 2013 at a cost of \$12.2 million; and the Oaks residence hall was completed and placed into service in August 2013 at a cost of \$22.4 million.

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

### ***Long Term Liabilities***

The University of West Georgia had Long-Term Liabilities of \$189,626,877 of which \$5,439,753 was reflected as current liability at June 30, 2014.

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

### ***Economic Outlook***

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is strong and the University anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

Dr. Kyle Marrero, President  
University of West Georgia

*Statement of Net Position*

UNIVERSITY OF WEST GEORGIA  
STATEMENT OF NET POSITION  
June 30, 2014

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$	49,827,342
Accounts Receivable, net (Note 3)		
Receivables - Federal Financial Assistance		575,200
Receivables - Other		1,906,780
Due From Affiliated Organizations		1,428
Inventories (Note 4)		964,419
Prepaid Items		1,122,991
Other Assets		
Total Current Assets		<u>54,398,160</u>

**Non-Current Assets**

Noncurrent Cash	\$	399,100
Due from USO - Capital Liability Reserve Fund		1,357,248
Notes Receivable, net		2,082,307
Capital Assets, net (Note 6)		301,447,649
Total Non-Current Assets		<u>305,286,304</u>

**TOTAL ASSETS** 359,684,464

**DEFERRED OUTFLOWS OF RESOURCES**

**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$	4,293,053
Salaries Payable		218,053
Contracts Payable		499,148
Advances (Including Tuition and Fees) (Note 7)		3,533,804
Other Liabilities		63,299
Deposits Held for Other Organizations		590,044
Lease Purchase Obligations		3,286,848
Compensated Absences		2,152,905
Total Current Liabilities		<u>14,642,859</u>

**Non-Current Liabilities**

Lease Purchase Obligations	\$	183,190,205
Advances (Including Tuition and Fees)		1,750
Compensated Absences		996,919
Total Non-Current Liabilities		<u>184,188,874</u>

**TOTAL LIABILITIES** 198,831,733

**DEFERRED INFLOWS OF RESOURCES**

**TOTAL DEFERRED INFLOWS OF RESOURCES**

**NET POSITION**

Net Investment in Capital Assets	\$	114,970,596
Restricted for		
Expendable		2,706,050
Unrestricted		43,176,085
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>160,852,731</u></b>

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

UNIVERSITY OF WEST GEORGIA  
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION  
For the Year Ended June 30, 2014

**REVENUES**

Operating Revenues		
Student Tuition and Fees (net of allowance for doubtful accounts)	\$	74,093,600
Less: Scholarship Allowances		(17,591,929)
Grants and Contracts		
Federal		1,449,806
State		663,114
Other		1,445,345
Sales and Services		614,510
Rents and Royalties		34,552
Auxiliary Enterprises		
Residence Halls		16,783,121
Bookstore		4,100,631
Food Services		8,980,006
Parking/Transportation		1,384,001
Health Services		2,244,673
Intercollegiate Athletics		5,650,747
Other Organizations		451,214
Other Operating Revenues		6,556,063
Total Operating Revenues		<u>106,859,454</u>

**EXPENSES**

Operating Expenses		
Salaries:		
Faculty	\$	36,948,144
Staff		36,960,809
Employee Benefits		23,619,960
Other Personal Services		662,428
Travel		1,310,036
Scholarships and Fellowships		11,247,421
Utilities		3,749,897
Supplies and Other Services		42,248,805
Depreciation		13,357,299
Total Operating Expenses		<u>170,104,799</u>
Operating Income (loss)		<u>(63,245,345)</u>

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

UNIVERSITY OF WEST GEORGIA  
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION  
For the Year Ended June 30, 2014

<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	\$ 44,262,247
Grants and Contracts	
Federal	22,931,534
Gifts	30,810
Investment Income (endowments, auxiliary and other)	207,290
Interest Expense (capital assets)	(9,049,399)
Other Nonoperating Revenues (Expenses)	678,275
Net Nonoperating Revenues	<u>59,060,757</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(4,184,588)</u>
Capital Grants and Gifts	
State	<u>4,636,738</u>
Total Other Revenues, Expenses, Gains or Losses	<u>4,636,738</u>
Increase (Decrease) in Net Position	452,150
<b>NET POSITION</b>	
Net Position-Beginning of Year, As Originally Reported	<u>160,400,581</u>
Net Position-End of Year	<u>\$ 160,852,731</u>

**UNIVERSITY OF WEST GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$	56,700,660
Grants and Contracts (Exchange)		3,447,791
Sales and Services		614,510
Payments to Suppliers		(72,382,781)
Payments to Employees		(73,775,497)
Payments for Scholarships and Fellowships		(11,247,421)
Loans Issued to Students and Employees		127,376
Auxiliary Enterprise Charges:		
Residence Halls		15,993,601
Bookstore		4,988,219
Food Services		9,278,133
Parking/Transportation		1,171,082
Health Services		2,235,139
Intercollegiate Athletics		5,382,562
Other Organizations		467,794
Other Receipts (Payments)		5,316,776
Net Cash Provided (used) by Operating Activities		(51,682,056)

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

State Appropriations	\$	44,262,247
Agency Funds Transactions		486,872
Gifts and Grants Received for Other Than Capital Purposes		22,962,344
Other Nonoperating Receipts (Expenses)		716,896
Net Cash Flows Provided by Non-capital Financing Activities		68,428,359

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

Capital Gifts and Grants Received	\$	1,332,548
Purchases of Capital Assets		(8,251,200)
Principal Paid on Capital Debt and Leases		(1,163,522)
Interest Paid on Capital Debt and Leases		(9,049,399)
Net Cash used by Capital and Related Financing Activities		(17,131,573)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments		207,290
Net Cash Provided (used) by Investing Activities		207,290
Net Increase/Decrease in Cash		(177,980)
Cash and Cash Equivalents - Beginning of year		50,404,422
Cash and Cash Equivalents - End of Year	\$	50,226,442

**UNIVERSITY OF WEST GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2014**

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

Operating Income (loss)	\$ (63,245,345)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	13,357,299
Change in Assets and Liabilities:	
Receivables, net	(1,463,745)
Inventories	470,696
Prepaid Items	813,026
Notes Receivable, Net	127,376
Accounts Payable	(1,606,345)
Advances (Including Tuition and Fees)	(368,314)
Other Liabilities	(7,738)
Compensated Absences	241,034
	241,034
Net Cash Provided (used) by Operating Activities	\$ (51,682,056)

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

Fixed assets acquired by incurring capital lease obligations	\$ 44,083,357
Gift of capital assets reducing proceeds of capital gifts and grants	\$ 3,304,190

**UNIVERSITY OF WEST GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Nature of Operations**

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

**Reporting Entity**

The University of West Georgia is one of thirty-one (31) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of the University of West Georgia as a separate reporting entity.

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

Legally separate, tax exempt Affiliated Organizations whose activities primarily support units of the University System of Georgia, which are organizational units of the State of Georgia, are considered potential Component Units of the State. See Note 16 for additional information.

**Financial Statement Presentation**

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

**Basis of Accounting**

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

### **New Accounting Pronouncements**

In fiscal year 2014, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement clarify the use of deferred inflows of resources and deferred outflows of resources. Certain items, including those items which were previously reported as assets and liabilities, will now be reported as outflows of resources or inflows of resources. As a result of this implementation, the University changed the classification of certain assets to deferred outflows of resources and liabilities to deferred inflows of resources.

In fiscal year 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012, an amendment to GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance by amending GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 10 was amended by removing the provision that limited fund based reporting of an entity's risk and financing activities to certain funds. GASB Statement No. 62 was amended by modifying guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or a group of loans, and (3) recognition of servicing fees on mortgage loans that are sold when the stated service fee rate differs from a current (normal) servicing fee rate.

In fiscal year 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and reporting requirements for state and local governments that extend or receive financial guarantees that are nonexchange transactions.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months, which includes certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

### **Investments**

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

### **Accounts Receivable**

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

### **Inventories**

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale Inventories are valued at cost using the "first in, first out" (FIFO) basis.

### **Noncurrent Cash and Investments**

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

### **Capital Assets**

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

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

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2014, GSFIC transferred capital additions valued at \$3,304,190 to the University of West Georgia.

### **Deposits**

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

### **Advances**

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

### **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. University of West Georgia had accrued liability for compensated absences in the amount of \$146,466,008 as of July 1, 2013. For fiscal year 2014, \$241,034 was earned in compensated absences and employees were paid \$3,149,824. The ending balance as of June 30, 2014 in accrued liability for compensated absences was \$189,626,877.

### **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.

### **Service Concession Agreements**

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which **all** of the following criteria are met:

- a. The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for **significant consideration**. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b. The operator collects and is compensated by fees from third parties.
- c. The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d. The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

At June 30, 2014, the University had no service concession agreements.

## Net Position

The University's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section.

*Restricted – non-expendable* includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. The University may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

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

Expendable Restricted include the following at June 30, 2014:

Restricted - E&G and Other Organized	
Activities	\$ 329,734
Federal Loans	2,041,953
Institutional Loans	334,363
Term Endowments	
Quasi-Endowments	
Capital Projects	
Health Insurance Reserve (USO only)	
	<hr/>
Total Restricted Expendable	<u>\$ 2,706,050</u>

*Unrestricted:* Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted resources include the following items which are quasi-restricted by management at June 30, 2014:

R & R Reserve	\$ 9,270,953
Reserve for Encumbrances	20,721,606
Reserve for Inventory	89,428
Other Unrestricted	<u>13,094,098</u>
Total Unrestricted Net Position	<u>\$ 43,176,085</u>

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

### **Income Taxes**

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

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

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

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

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

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

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

### **Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances.

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

### **Deposits**

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

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

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2014, the carrying value of deposits was \$40,556,833 and the bank balance was \$41,326,853 . Of the University's deposits, \$41,076,853 were uninsured. Of these uninsured deposits, \$41,076,853 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$0 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name and \$0 were uncollateralized.

## Investments

At June 30, 2014, the carrying value of the University's investments were \$9,599,552, 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	\$	1,366,504
Office of the State Treasurer		
Georgia Fund 1		<u>8,233,048</u>
Total Investment Pools	\$	<u>9,599,552</u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia - System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits and Accounts - Education Audit Division or on their web site at <http://www.audits.ga.gov>.

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AA Af rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 62 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 0.55 years. Of the University's total investment of \$1,366,504 in the Short Term Fund, \$129,762 is invested in debt securities.

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

Accounts receivable consisted of the following at June 30, 2014:

Student Tuition and Fees	\$	415,396
Auxiliary Enterprises and Other Operating Activities		1,267,783
Federal Financial Assistance		575,201
Georgia State Financing and Investment Commission		3,465
Due from Affiliated Organizations		1,428
Other		1,133,456
		<u>3,396,729</u>
Less: Allowance for Doubtful Accounts		<u>913,321</u>
Net Accounts Receivable	\$	<u>2,483,408</u>

### **Note 4. Inventories**

Inventories consisted of the following at June 30, 2014:

Bookstore	\$	834,298
Physical Plant		91,897
Other		38,224
		<u>964,419</u>
Total	\$	<u>964,419</u>

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

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2014. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2014, the allowance for uncollectible loans was \$-0-

## Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2014:

	Beginning Balances July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 8,281,634			\$ 8,281,634
Construction Work-in-Progress	3,379,225	12,249,784	6,820,836	8,808,173
Total Capital Assets Not Being Depreciated	11,660,859	12,249,784	6,820,836	17,089,807
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	6,403,221	198,077		6,601,298
Building and Building Improvements	153,931,580	4,042,575	424,865	157,549,290
Facilities and Other Improvements	3,524,862	320,620		3,845,482
Equipment	22,986,902	1,249,144	638,277	23,597,769
Capital Leases	152,002,710	44,083,357		196,086,067
Library Collections	18,126,346	426,690	28,312	18,524,724
Capitalized Collections	18,900			18,900
Total Capital Assets Being Depreciated/Amortized	356,994,521	50,320,463	1,091,454	406,223,530
Less: Accumulated Depreciation/Amortization				
Infrastructure	1,224,416	232,893		1,457,309
Buildings	53,457,527	5,113,724	719,605	57,851,646
Facilities and Other Improvements	1,596,895	141,809		1,738,704
Equipment	13,737,893	1,359,950	662,842	14,435,001
Capital Leases	24,972,957	5,832,050		30,805,007
Library Collections	14,929,461	676,873	28,313	15,578,021
Total Accumulated Depreciation/Amortization	109,919,149	13,357,299	1,410,760	121,865,688
Total Capital Assets, Being Depreciated/Amortized, Net	247,075,372	36,963,164	(319,306)	284,357,842
Capital Assets, net	\$ 258,736,231	\$ 49,212,948	\$ 6,501,530	\$ 301,447,649

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

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2014:

Prepaid Tuition and Fees	\$	2,307,625
Research		414,150
Other - Advances		812,029
		<hr/>
Totals	\$	<u>3,533,804</u>

Long term Advances totaled \$1,750 at June 30, 2014.

## Note 8. Long Term Liabilities

Long-Term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Leases					
Lease Purchase Obligations	\$ 143,557,218	\$ 44,083,357	\$ 1,163,522	\$ 186,477,053	\$ 3,286,848
Other Liabilities					
Compensated Absences	2,908,790	241,034		3,149,824	2,152,905
Total Long-Term Obligations	<u>\$ 146,466,008</u>	<u>\$ 44,324,391</u>	<u>\$ 1,163,522</u>	<u>\$ 189,626,877</u>	<u>\$ 5,439,753</u>

## Note 9. Significant Commitments

The College/University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$11,707,004 as of June 30, 2014. This amount is not reflected in the accompanying basic financial statements.

## Note 10. Lease Obligations

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

### CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2030 and 2042. Expenditures for fiscal year 2014 were \$11.3 million of which \$9 million represented interest and \$1.1 million represented executory costs. Total principal paid on capital leases was \$1.2 million for the fiscal year ended June 30, 2014. Interest rates range from 4.24 percent to 6.63 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2014:

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2014 (=)	Outstanding Balances per lease schedules at June 30, 2014
Land - (PPV)	\$ 4,202,011		\$ 4,202,011	\$ 3,996,095
Equipment - (PPV)	3,227,268	3,201,835	25,433	3,069,119
Buildings - (PPV)	183,576,595	26,434,729	157,141,866	174,580,596
Facilities and Improvements - (PPV)	5,080,193	1,168,444	3,911,749	4,831,243
Total Assets Held Under Capital Lease at June 30, 2014	\$ 196,086,067	\$ 30,805,008	\$ 165,281,059	\$ 186,477,053

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

Three separate capital leases for student residence halls are with the University of West Georgia Foundation, Inc. The University Suites lease had \$9,460,253 in principal outstanding, the Arbor View Apartments lease had \$16,317,986 in principal outstanding, and the Greek Village had \$21,471,555 in principal outstanding as of June 30, 2014.

The University Campus Center, the Athletic Complex, the Center Pointe Suites residence hall, the Athletic Office Building, and the east campus projects, which consist of Bowdon Hall, East Commons dining, and the Oaks residence hall, are being leased from the UWG Real Estate Foundation, Inc. Outstanding principal balances as of June 30, 2014 were \$27,401,811, \$25,119,102, \$27,162,306, \$3,682,953, and \$45,166,981, respectively.

Parking lots are being leased from the University of West Georgia Foundation, Inc. The remaining principal balance on the lease was \$5,121,827 as of June 30, 2014.

The University Bookstore is being leased from the USG Real Estate Foundation III, LLC. The remaining principal balance on the lease was \$5,572,279 as of June 30, 2014.

## OPERATING LEASES

The University of West Georgia's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2019. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers and other small business equipment.

## FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Position) include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2014, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2015	12,504,579	\$ 273,516
2016	12,625,645	190,322
2017	12,776,083	130,919
2018	12,935,199	82,151
2019	13,082,883	19,450
2020 through 2024	67,523,989	
2025 through 2029	70,193,537	
2030 through 2034	61,950,606	
2035 through 2039	52,939,282	
2040 through 2044	12,755,141	
Total minimum lease payments	\$ 329,286,944	\$ <u>696,358</u>
Less: Interest	141,209,891	
Less: Executory costs (if paid)	1,600,000	
Principal Outstanding	<u>\$ 186,477,053</u>	

The University of West Georgia's fiscal year 2014 expense for rental of real property and equipment under operating leases was \$327,842 .

## **Note 11. Retirement Plans**

The University of West Georgia participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the University of West Georgia participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

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

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

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

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

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

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the University of West Georgia pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these University of West Georgia contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The University of West Georgia is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These University of West Georgia contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation as follows:

Old Plan*	18.46%
New Plan	18.46%
GSEPS	15.18%

\*13.71% exclusive of contributions paid by the employer on behalf of old plan members

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

## Teachers Retirement System of Georgia

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

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

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

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

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014 were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

The following table summarizes the University of West Georgia contributions by defined benefit plan for the years ending June 30, 2014, June 30, 2013, and June 30, 2012 (dollars in thousands):

	ERS		TRS	
	Required <u>Contribution</u>	Percent <u>Contributed</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2014	\$32,012	100%	\$4,393,473	100%
2013	\$36,173	100%	\$3,783,946	100%
2012	\$31,052	100%	\$3,248,761	100%

## Regents Retirement Plan

### Plan Description

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

### Funding Policy

The University of West Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2014, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University of West Georgia and the covered employees made the required contributions of \$2,754,905 (9.24%) and \$1,787,539 (6%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

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

### **Benefits**

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

### **Contributions**

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

Total contributions made by employees during fiscal year 2014 amounted to \$148,167 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

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

The University System of Georgia offers its employees and retirees access to four different healthcare plan options. For the University System of Georgia's Plan Year 2014, the following healthcare plan options were available:

- BlueChoice HMO
- Health Savings Account (HSA) Open Access POS
- Open Access Point-of-Service (POS)
- Kaiser Permanente HMO

The University of West Georgia and participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with the self-insured plans; including the HSA Open Access POS, the Open Access POS and the BlueChoice HMO. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser Permanente.

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

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

### ***Note 13. Contingencies***

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

Litigation, claims and assessments filed against the University of West Georgia (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

#### ***Note 14. Post-Employment Benefits Other Than Pension Benefits***

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

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2014 plan year, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2014, there were 479 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2014, the University of West Georgia recognized as incurred \$1,998,082 of expenditures, which was net of \$917,038 of participant contributions.

## Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2014 are shown below:

Natural Classification	Functional Classification					
	Fiscal Year 2014					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$31,780,678	\$391,114	\$8,040	\$3,197,538	\$354,224	\$946,414
Staff	6,605,988	506,532	172,080	6,196,062	5,358,933	6,026,816
Benefits	10,530,130	176,057	45,534	2,699,521	1,498,318	4,786,820
Personal Services	200,959			(88,288)	4,819	455,697
Travel	653,801	43,223	12,417	201,917	130,601	91,897
Scholarships and Fellowships	343,164	82,075		26,120	1,350	
Utilities	87,031	931	1,616	27,348	28,526	12,999
Supplies and Other Services	8,447,745	289,012	173,995	3,610,778	2,917,822	5,987,855
Depreciation	3,799,494	109,482		539,004	717,895	380,608
<b>Total Expenses</b>	<b>\$ 62,448,990</b>	<b>\$ 1,598,426</b>	<b>\$ 413,682</b>	<b>\$ 16,410,000</b>	<b>\$ 11,012,488</b>	<b>\$ 18,689,106</b>

Natural Classification	Functional Classification			
	Fiscal Year 2014			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	(\$1,258,953)		\$1,529,089	\$ 36,948,144
Staff	6,756,250		5,338,148	36,960,809
Benefits	2,328,957	1,830	1,552,793	23,619,960
Personal Services	(1,302,009)		1,391,250	662,428
Travel	29,884		146,296	1,310,036
Scholarships and Fellowships		9,339,115	1,455,597	11,247,421
Utilities	1,900,314		1,691,132	3,749,897
Supplies and Other Services	4,930,340		15,891,258	42,248,805
Depreciation	2,404,085		5,406,731	13,357,299
<b>Total Expenses</b>	<b>\$ 15,788,868</b>	<b>\$ 9,340,945</b>	<b>\$ 34,402,294</b>	<b>\$ 170,104,799</b>

## **Note 16. Affiliated Organizations**

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity* which became effective for the year ended June 30, 2004, the University of West Georgia Foundation, Inc. and the UWG Real Estate Foundation, Inc. are legally separate, tax-exempt organizations whose activities primarily support the University of West Georgia, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office determined Component Units of the State of Georgia, as required by GASB Statement No. 39 and No. 61 should not be assessed in relation to their significance to the University of West Georgia, but instead based on their significance to the State of Georgia. Therefore, the financial statements of this affiliated organization are not included in these financial statements. Copies of the financial statements may be obtained from the University of West Georgia.

The UWG Real Estate Foundation, Inc. has been determined significant to the State of Georgia for the year ended June 30, 2014, and as such, will be reported as a blended/discretely presented component unit in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). Significant blended/discretely presented affiliated organizations issue separate audited financial statements. Copies of the financial statements may be obtained from the University of West Georgia.