

# THE UNIVERSITY OF WEST GEORGIA

## Financial Report

For the Year Ended  
June 30, 2012

The University of West Georgia

Carrollton, Georgia

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President  
Affairs

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Vice President for Business & Finance

THE UNIVERSITY OF WEST GEORGIA  
ANNUAL FINANCIAL REPORT  
FY 2012

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# THE UNIVERSITY OF WEST GEORGIA

## *Management's Discussion and Analysis*

### *Introduction*

The University of West Georgia is one of the 35 institutions of higher education of the University System of Georgia. As a comprehensive university in the State's "Robust Tier", 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 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."

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2012	448	11,646	10,575
Fiscal Year 2011	466	11,283	10,212
Fiscal Year 2010	462	11,500	10,308

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

The University of West Georgia is proud to present its financial statements for fiscal year 2012. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2012 and fiscal year 2011.

### *Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University of West Georgia. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the Notes to the Financial Statements.

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

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

#### Statement of Net Assets, Condensed

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Assets:</b>		
Current Assets	\$ 51,102,796	\$ 48,593,142
Capital Assets, Net	218,741,747	219,666,634
Other Assets	<u>2,525,797</u>	<u>2,464,825</u>
<b>Total Assets</b>	<u>\$ 272,370,340</u>	<u>\$ 270,724,601</u>
<b>Liabilities:</b>		
Current Liabilities	\$ 14,857,321	\$ 14,775,926
Noncurrent Liabilities	<u>113,412,911</u>	<u>116,171,687</u>
<b>Total Liabilities</b>	<u>\$ 128,270,232</u>	<u>\$ 130,947,613</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	\$ 104,804,505	\$ 103,859,942
Restricted - Expendable	2,662,555	2,660,009
Unrestricted	<u>36,633,048</u>	<u>33,257,037</u>
<b>Total Net Assets</b>	<u>\$ 144,100,108</u>	<u>\$ 139,776,988</u>

The total assets increased by \$1,645,739 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$2,120,673 in Cash and Cash Equivalents.

The total liabilities decreased for the year by \$2,781,677. The combination of the increase in total assets of \$1,645,739 and the decrease in total liabilities of \$2,781,677 yields an increase in total net assets of \$4,323,120. The increase in total net assets is primarily in the category of Unrestricted Net Assets, in the amount of \$3,480,307.

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

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

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Revenues	\$ 94,960,675	\$ 82,434,013
Operating Expenses	<u>148,600,990</u>	<u>142,232,454</u>
Operating Loss	\$ (53,640,315)	\$ (59,798,441)
Nonoperating Revenues and Expenses	<u>55,504,172</u>	<u>61,930,895</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	\$ 1,863,857	\$ 2,132,454
Other Revenues, Expenses, Gains or Losses	<u>2,459,263</u>	<u>7,466,779</u>
Increase in Net Assets	\$ 4,323,120	\$ 9,599,233
Net Assets at Beginning of Year, as Originally Reported	139,776,988	128,319,439
Prior Year Adjustments	-	1,858,316
Net Assets at Beginning of Year, Restated	<u>\$ 139,776,988</u>	<u>\$ 130,177,755</u>
Net Assets at End of Year	<u>\$ 144,100,108</u>	<u>\$ 139,776,988</u>

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

Revenue by Source  
For the Years Ended June 30, 2012 and June 30, 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Revenue		
Tuition and Fees	\$ 51,731,775	\$ 43,730,116
Grants and Contracts	3,607,637	2,841,796
Sales and Services	512,140	397,825
Auxiliary	35,069,090	32,294,543
Other	4,040,033	3,169,733
Total Operating Revenue	<u>\$ 94,960,675</u>	<u>\$ 82,434,013</u>
Nonoperating Revenue		
State Appropriations	\$ 38,030,957	\$ 42,940,578
Grants and Contracts	22,032,594	23,710,478
Gifts	921,705	624,504
Investment Income	277,667	255,144
Other	267,388	176,232
Total Nonoperating Revenue	<u>\$ 61,530,311</u>	<u>\$ 67,706,936</u>
Capital Gifts and Grants		
State	2,459,263	7,222,761
Other Capital Gifts and Grants	-	244,018
Total Capital Gifts and Grants	<u>\$ 2,459,263</u>	<u>\$ 7,466,779</u>
Total Revenues	<u><u>\$ 158,950,249</u></u>	<u><u>\$ 157,607,728</u></u>

Expenses (By Functional Classification)  
For the Years Ended June 30, 2012 and June 30, 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Expenses		
Instruction	\$ 52,678,753	\$ 48,820,912
Research	1,624,407	1,359,881
Public Service	290,376	784,716
Academic Support	17,080,448	15,523,075
Student Services	10,826,660	9,802,161
Institutional Support	13,104,091	13,583,165
Plant Operations and Maintenance	13,657,543	17,076,761
Scholarships and Fellowships	9,782,787	9,646,847
Auxiliary Enterprises	29,555,925	25,634,936
Total Operating Expenses	<u>\$ 148,600,990</u>	<u>\$ 142,232,454</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	6,026,139	5,776,041
Total Expenses	<u><u>\$ 154,627,129</u></u>	<u><u>\$ 148,008,495</u></u>

Operating revenues increased by \$12,526,662 in fiscal year 2012. Revenue from Student Tuition and Fees prior to the reduction by the scholarship allowance resulted in an increase of approximately 11%. Grants and Contracts, Sales and Services, Auxiliary Enterprises and Other Operating Revenues increased approximately 12%.

The Auxiliary revenue increase of \$2,774,547 primarily resulted from rate increases for residence halls and an increase in athletic fees.

Nonoperating revenues decreased by (\$6,176,625) for the year primarily due to an decrease in State Appropriations.

The compensation and employee benefits category increased by \$2,447,366 and primarily affected Instruction, Student Services, Plant Operations and Auxiliary Enterprises.

Utilities increased by \$302,220 during the past year. The increase was primarily associated with the increase in electrical costs due to a 4% rate increase and higher consumption.

### ***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 Assets.

## Cash Flows for the Years Ended June 30, 2012 and 2011, Condensed

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash Provided (used) By:		
Operating Activities	\$ (44,435,586)	\$ (51,808,559)
Non-capital Financing Activities	61,266,632	67,663,656
Capital and Related Financing Activities	(14,981,022)	(13,006,057)
Investing Activities	<u>277,667</u>	<u>255,144</u>
Net Change in Cash	\$ 2,127,691	\$ 3,104,184
Cash, Beginning of Year	<u>42,213,248</u>	<u>39,109,065</u>
Cash, End of Year	<u>\$ 44,340,939</u>	<u>\$ 42,213,249</u>

### ***Capital Assets***

The University had one significant capital asset addition for facilities in fiscal year 2012. The new Arts Building was constructed and placed into service late in the fiscal year for \$3.0 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 \$116,767,842 of which \$3,356,681 was reflected as current liability at June 30, 2012.

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

### ***Economic Outlook***

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

Dr. Beheruz Sethna, President  
University of West Georgia

## Statement of Net Assets

### THE UNIVERSITY OF WEST GEORGIA STATEMENT OF NET ASSETS June 30, 2012

#### ASSETS

##### Current Assets

Cash and Cash Equivalents	\$ 43,939,235
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	480,041
Receivables - Other	2,213,104
Due From Affiliated Organizations	545
Inventories (note 4)	1,721,362
Prepaid Items	2,748,509
Total Current Assets	<u>\$ 51,102,796</u>

##### Noncurrent Assets

Noncurrent Cash	\$ 401,704
Notes Receivable, net	2,124,093
Capital Assets, net (note 6)	218,741,747
Total Noncurrent Assets	<u>\$ 221,267,544</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 272,370,340</b></u>

#### LIABILITIES

##### Current Liabilities

Accounts Payable	\$ 5,024,337
Salaries Payable	260,063
Contracts Payable	134,725
Deposits	8,383
Deferred Revenue (note 7)	5,366,407
Other Liabilities	63,859
Deposits Held for Other Organizations	642,866
Lease Purchase Obligations (current portion)	1,702,282
Compensated Absences (current portion)	1,654,399
Total Current Liabilities	<u>\$ 14,857,321</u>

##### Noncurrent Liabilities

Lease Purchase Obligations (noncurrent)	\$ 112,234,960
Deferred Revenue (noncurrent)	1,750
Compensated Absences (noncurrent)	1,176,201
Total Noncurrent Liabilities	<u>\$ 113,412,911</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 128,270,232</b></u>

#### NET ASSETS

Invested in Capital Assets, net of related debt	\$ 104,804,505
Restricted for	
Expendable	2,662,555
Unrestricted	36,633,048
<b>TOTAL NET ASSETS</b>	<u><b>\$ 144,100,108</b></u>

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

**THE UNIVERSITY OF WEST GEORGIA**  
**STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS**  
**for the Year Ended June 30, 2012**

**REVENUES**

Operating Revenues		
Student Tuition and Fees (net of allowance for doubtful accounts)	\$	69,305,908
Less: Scholarship Allowances		(17,574,133)
Grants and Contracts		
Federal		1,215,271
Federal Stimulus		471,550
State		401,507
Other		1,519,309
Sales and Services		512,140
Rents and Royalties		30,959
Auxiliary Enterprises		
Residence Halls		13,302,342
Bookstore		4,346,758
Food Services		7,179,168
Parking/Transportation		1,583,433
Health Services		2,412,697
Intercollegiate Athletics		5,754,519
Other Organizations		490,173
Other Operating Revenues		4,009,074
Total Operating Revenues	\$	<u>94,960,675</u>

**EXPENSES**

Operating Expenses		
Salaries:		
Faculty	\$	33,016,529
Staff		32,172,417
Employee Benefits		19,519,045
Other Personal Services		377,627
Travel		1,294,682
Scholarships and Fellowships		11,136,039
Utilities		4,112,198
Supplies and Other Services		36,786,689
Depreciation		10,185,764
Total Operating Expenses	\$	<u>148,600,990</u>
Operating Income (loss)	\$	<u>(53,640,315)</u>

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

THE UNIVERSITY OF WEST GEORGIA  
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS  
for the Year Ended June 30, 2012

<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	\$ 38,030,957
Grants and Contracts	
Federal	21,817,256
State	23,237
Other	192,101
Gifts	921,705
Investment Income (endowments, auxiliary and other)	277,667
Interest Expense (capital assets)	(6,026,139)
Other Nonoperating Revenues (Expenses)	267,388
Net Nonoperating Revenues	<u>\$ 55,504,172</u>
Income before other revenues, expenses, gains, or loss	<u>\$ 1,863,857</u>
Capital Grants and Gifts	
State	2,459,263
Total Other Revenues	<u>\$ 2,459,263</u>
Increase in Net Assets	<u>\$ 4,323,120</u>
<b>NET ASSETS</b>	
Net Assets-beginning of year, as originally reported	\$ 139,776,988
Prior Year Adjustments	-
Net Assets-beginning of year, restated	<u>139,776,988</u>
Net Assets-End of Year	<u>\$ 144,100,108</u>

## Statement of Cash Flows

### THE UNIVERSITY OF WEST GEORGIA STATEMENT OF CASH FLOWS For the Year Ended June 30, 2012

#### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$	52,880,471
Grants and Contracts (Exchange)		4,925,890
Sales and Services		512,140
Payments to Suppliers		(59,304,361)
Payments to Employees		(67,687,428)
Payments for Scholarships and Fellowships		(11,136,039)
Loans Issued to Students and Employees		(53,955)
Auxiliary Enterprise Charges:		
Residence Halls		11,689,092
Bookstore		3,541,905
Food Services		7,076,088
Parking/Transportation		1,348,924
Health Services		2,289,009
Intercollegiate Athletics		5,268,712
Other Organizations		482,689
Other Receipts (payments)		3,731,277
Net Cash Provided (used) by Operating Activities	\$	(44,435,586)

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

State Appropriations	\$	38,030,957
Agency Funds Transactions		(59,474)
Gifts and Grants Received for Other Than Capital Purposes		23,295,149
Net Cash Flows Provided by Non-capital Financing Activities	\$	61,266,632

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

Capital Gifts and Grants Received	\$	2,459,263
Purchases of Capital Assets		(10,048,318)
Principal Paid on Capital Debt and Leases		(1,365,828)
Interest Paid on Capital Debt and Leases		(6,026,139)
Net Cash used by Capital and Related Financing Activities	\$	(14,981,022)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments		277,667
Net Cash Provided (used) by Investing Activities	\$	277,667
Net Increase/Decrease in Cash		2,127,691
Cash and Cash Equivalents - Beginning of year		42,213,248
Cash and Cash Equivalents - End of Year	\$	44,340,939

*Statement of Cash Flows, Continued*

THE UNIVERSITY OF WEST GEORGIA  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2012

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

Operating Income (loss)	\$ (53,640,315)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	10,185,764
Change in Assets and Liabilities:	
Receivables, net	1,320,596
Inventories	(173,319)
Prepaid Items	(1,534,227)
Notes Receivable, Net	(53,955)
Accounts Payable	112,853
Deferred Revenue	(542,571)
Other Liabilities	(28,035)
Compensated Absences	(82,377)
Net Cash Provided (used) by Operating Activities	<u>\$ (44,435,586)</u>

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

Change in accrued interest payable affecting interest paid	
Gift reducing proceeds of Gifts and Grants received for other than capital purposes	<u>\$ 410,188</u>
Gift of capital assets reducing proceeds of capital gifts and grants	<u>\$ -</u>

**THE UNIVERSITY OF WEST GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

***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-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of 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 assets, revenues, expenses, changes in net assets and cash flows.

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be between fiscal years rather than one fiscal year. For fiscal year 2012, the calculation used to determine this split was based on credit hours taught. For consistency and transparency, this will be the basis used for this calculation by the University of West Georgia.

### **Basis of Accounting**

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

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

### **Cash and Cash Equivalents**

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

### **Short-Term Investments**

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

### **Investments**

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

**Accounts Receivable**

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

**Inventories**

Consumable supplies and resale inventories are valued at cost using the average cost basis.

**Noncurrent Cash and Investments**

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

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements. To obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2012, GSFIC transferred capital additions valued at \$1,174,279 to the University of West Georgia.

### **Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in a University residence hall and post office box keys.

### **Deferred Revenues**

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

### **Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets. The University of West Georgia had accrued liability for compensated absences in the amount of \$2,912,978 as of July 1, 2011. For fiscal year 2012, \$2,200,461 was earned in compensated absences and employees were paid \$2,282,839, for a net decrease of (\$82,378). The ending balance as of June 30, 2012 in accrued liability for compensated absences was \$2,830,600.

### **Noncurrent Liabilities**

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

### **Net Assets**

The University's net assets are classified as follows:

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

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

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

Expendable Restricted Net Assets include the following:

Restricted - E&G and Other Organized Activities	\$ 401,703
Federal Loans	1,900,247
Institutional Loans	<u>360,605</u>
 Total Restricted Expendable	 <u>\$ 2,662,555</u>

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

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

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

R & R Reserve	\$ 10,607,162
Reserve for Encumbrances	13,666,884
Reserve for Inventory	76,591
Other Unrestricted	<u>12,282,411</u>
 Total Unrestricted Net Assets	 <u>\$ 36,633,048</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 Assets classify fiscal year activity as operating and non-operating according to the following criteria:

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

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

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

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

## **Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances.

## **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, 2012, the carrying value of deposits was \$34,839,223 and the bank balance was \$36,537,838. Of the University's deposits, \$36,238,468 was uninsured. Of these uninsured deposits, \$36,238,468 was collateralized with securities held by the financial institution's trust department or agent in the University's name.

## Investments

At June 30, 2012, the carrying value of the University's investments was \$9,480,990, 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	\$ 1,270,572
Office of the State Treasurer	
Georgia Fund 1	<u>\$ 8,210,418</u>
Sub Total	<u>\$ 8,210,418</u>
Total Investment Pools	<u><u>\$ 9,480,990</u></u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at <http://www.audits.ga.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 AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 48 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 0.48 years. Of the University's total investment of \$1,270,572 in the Short Term Fund, \$1,165,001 is invested in debt securities.

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

Accounts receivable consisted of the following at June 30, 2012:

Student Tuition and Fees	\$	530,617
Auxiliary Enterprises and Other Operating Activities		1,331,702
Federal Financial Assistance		480,041
Georgia State Financing and Investment Commission		3,334
Due from Affiliated Organizations		545
Other		1,016,256
	\$	<u>3,362,495</u>
Less: Allowance for Doubtful Accounts		<u>668,805</u>
Net Accounts Receivable	\$	<u><u>2,693,690</u></u>

### **Note 4. Inventories**

Inventories consisted of the following at June 30, 2012:

Bookstore	\$	1,585,497
Physical Plant		86,903
Other		48,962
Total	\$	<u><u>1,721,362</u></u>

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

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2012. 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, 2012, the allowance for uncollectible loans was \$-0-

## Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2012:

	Beginning Balances July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012
Capital Assets, Not Being Depreciated:				
Land	\$ 8,281,634	\$ -	\$ -	\$ 8,281,634
Capitalized Collections	-			-
Construction Work-in-Progress	3,834,560	8,092,977	9,756,518	2,171,019
Total Capital Assets Not Being Depreciated	\$ 12,116,194	\$ 8,092,977	\$ 9,756,518	\$ 10,452,653
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	\$ 5,651,338	\$ 751,883	\$ -	\$ 6,403,221
Building and Building Improvements	134,843,159	7,577,633	-	142,420,792
Facilities and Other Improvements	2,353,312	1,171,550	-	3,524,862
Equipment	20,929,559	1,962,298	1,074,966	21,816,891
Capital Leases	121,879,163	-	503,622	121,375,541
Library Collections	18,017,434	19,238	186,828	17,849,844
Capitalized Collections	7,500	18,900	7,500	18,900
Total Assets Being Depreciated/Amortized	\$ 303,681,465	\$ 11,501,502	\$ 1,772,916	\$ 313,410,051
Less: Accumulated Depreciation/Amortization				
Infrastructure	\$ 779,173	\$ 214,727	\$ -	\$ 993,900
Buildings	51,109,605	3,929,855	(233,663)	55,273,123
Facilities and Other Improvements	1,328,775	118,864	-	1,447,639
Equipment	12,549,646	1,574,062	1,237,731	12,885,977
Capital Leases	16,620,290	3,640,590	-	20,260,880
Library Collections	13,737,183	707,557	185,302	14,259,438
Capitalized Collections	6,353	109	6,462	-
Total Accumulated Depreciation/Amortization	\$ 96,131,025	\$ 10,185,764	\$ 1,195,832	\$ 105,120,957
Total Capital Assets, Being Depreciated/Amortized, Net	\$ 207,550,440	\$ 1,315,738	\$ 577,084	\$ 208,289,094
Capital Assets, Net	<u>\$ 219,666,634</u>	<u>\$ 9,408,715</u>	<u>\$ 10,333,602</u>	<u>\$ 218,741,747</u>

## **Note 7. Deferred Revenue**

Deferred revenue consisted of the following at June 30, 2012:

Prepaid Tuition and Fees	\$	3,173,592
Research		906,761
Other Deferred Revenue		<u>1,286,054</u>
Totals	\$	<u><u>5,366,407</u></u>

## **Note 8. Long Term Liabilities**

Long-Term liability activity for the year ended June 30, 2012 was as follows:

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2012</b>	<b>Current Portion</b>
<b>Leases</b>					
Lease Obligations	<u>\$115,806,692</u>	<u>\$0</u>	<u>\$1,869,450</u>	<u>\$113,937,242</u>	<u>\$1,702,282</u>
<b>Other Liabilities</b>					
Compensated Absences	<u>\$2,912,978</u>	<u>\$2,200,461</u>	<u>\$2,282,839</u>	<u>\$2,830,600</u>	<u>\$1,654,399</u>
<b>Total Long-Term Obligations</b>	<u><u>\$118,719,670</u></u>	<u><u>\$2,200,461</u></u>	<u><u>\$4,152,289</u></u>	<u><u>\$116,767,842</u></u>	<u><u>\$3,356,681</u></u>

## **Note 9. Significant Commitments**

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$6,687,371 as of June 30, 2012. 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 2041. Expenditures for fiscal year 2012 were \$8.1 million of which \$6 million represented interest and \$698,455 represented executory costs. Total principal paid on capital leases was \$1.4 million for the fiscal year ended June 30, 2012. Interest rates range from 3.50 percent to 6.63 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2012:

Description	Gross Amount	Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2012	Outstanding Balances per lease schedules at June 30, 2012
	(+)	(-)	(=)	
Land	\$ 4,202,011	-	\$ 4,202,011	\$ 8,996,912
Infrastructure	-	-	-	-
Equipment	3,186,025	(2,873,943)	312,082	347,626
Buildings	108,907,312	(16,624,914)	92,282,398	103,333,314
Facilities and Improvements	5,080,193	(762,023)	4,318,170	1,259,390
Software	-	-	-	-
Total Assets Held Under Capital Lease at June 30, 2012	<u>\$ 121,375,541</u>	<u>\$ (20,260,880)</u>	<u>\$ 101,114,661</u>	<u>\$ 113,937,242</u>

Certain capital leases provide for renewal and/or purchase options.

Three separate capital leases for student residence halls are with the University of West Georgia Foundation, Inc. The University Suites lease had \$10,379,293 in principal outstanding, the Arbor View Apartments lease had \$17,608,022 in principal outstanding, and the Greek Village had \$21,547,403 in principal outstanding as of June 30, 2012.

The University Campus Center and the Athletic Complex are being leased from the UWG Real Estate Foundation, Inc. The University Campus Center had \$28,480,610 in principal outstanding and the Athletic Complex lease had \$25,011,062 in principal outstanding as of June 30, 2012.

Parking lots are being leased from the University of West Georgia Foundation, Inc. The remaining principal balance on the lease was \$5,162,375 as of June 30, 2012.

The University Bookstore is being leased from the USG Real Estate Foundation III, LLC. The remaining principal balance on the lease was \$5,748,477 as of June 30, 2012.

## OPERATING LEASES

The University of West Georgia's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2013 through 2016. 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 Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2012, were as follows:

	Real Property and Equipment	
	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2013	\$ 8,371,591	\$ 288,150
2014	8,466,626	102,711
2015	8,575,296	57,669
2016	8,716,272	29,764
2017	8,873,427	-
2018 through 2022	46,715,488	-
2023 through 2027	51,110,690	-
2028 through 2032	46,324,024	-
2033 through 2037	33,864,399	-
2038 through 2042	11,784,745	-
	<hr/>	<hr/>
Total minimum lease payments	\$ 232,802,558	<u>\$ 478,294</u>
Less: Interest	117,065,316	
Less: Executory costs (if paid)	1,800,000	
Principal Outstanding	<u>\$ 113,937,242</u>	

The University of West Georgia's fiscal year 2012 expense for rental of real property and equipment under operating leases was \$376,370.

The University of West Georgia entered into capital lease agreements with the UWG Real Estate Foundation, Inc. for the Athletic Office Building and Center Pointe Suites during FY2012. However, the certificates of occupancy for these properties were not received prior to June 30, 2012 and, therefore, the capital lease obligations and related assets were not included in the financial statements for FY2012.

The remaining principal balances on the Athletic Office Building and Center Pointe Suites as of June 30, 2012 were \$3,669,957 and \$26,957,211, respectively. The future commitments for these capital leases as of June 30, 2012 were as follows:

Year Ending June 30:	
2013	\$771,674
2014	1,935,689
2015	1,948,047
2016	1,966,627
2017	2,000,387
2018 through 2022	10,481,178
2023 through 2027	10,745,650
2028 through 2032	10,982,107
2033 through 2037	11,276,331
2038 through 2042	8,700,240
Total minimum lease payments	\$60,807,930
Less: Interest	30,180,761
Less: Executory costs (if paid)	-
Principal Outstanding	<u>\$30,627,169</u>

### **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 2012 were based on the June 30, 2009 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan*	11.63%
New Plan	11.63%
GSEPS	7.42%

\*4.75% exclusive of contributions paid by the employer on behalf of old plan members.

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

### **Teachers Retirement System of Georgia**

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

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

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

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

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012 were 5.53% of annual salary. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009 actuarial valuation.

The following table summarizes the University of West Georgia contributions by defined benefit plan for the years ending June 30, 2012, June 30, 2011, and June 30, 2010 (dollars in thousands):

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	\$31,052	100%	\$3,248,761	100%
2011	\$15,154	100%	\$3,158,430	100%
2010	\$12,533	100%	\$2,997,601	100%

## Regents Retirement Plan

### Plan Description

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

### Funding Policy

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 2012, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University of West Georgia and the covered employees made the required contributions of \$2,537,349 (9.24%) and \$1,354,244 (5%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

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 2012 amounted to \$137,790 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 three different self-insured healthcare plan options. Effective 01/01/2012, The Blue Cross Blue Shield of Georgia PPO and HDHP plan names were changed to BCBS Open Access PPO and HAS/HDHP Open Access POS, respectively; both plans will use the Blue Cross Blue Shield Open Access POS network. Also effective 01/01/2012, the Consumer Choice Option was eliminated and the Blue Cross Blue Shield of Georgia HMO and the Kaiser Permanente HMO were frozen for new enrollment for active employees only; the Senior Advantage Plan 65+ remained open for new enrollment.

The University of West Georgia and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. 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.

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, 2012.

#### ***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 2012 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, 2012, there were 466 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2012, the University of West Georgia recognized as incurred \$1,901,494 of expenditures, which was net of \$864,810 of participant contributions.

## Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2012 are shown below:

Natural Classification	Functional Classification					
	Fiscal Year 2012					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 28,733,028	\$ 413,985	\$ 11,278	\$ 2,449,174	\$ 154,221	\$ 1,074,660
Staff	5,544,693	411,336	171,981	5,857,475	5,127,099	4,623,375
Benefits	8,633,343	171,337	43,187	2,259,270	1,232,035	4,077,802
Personal Services	30,551	-	1,467	7,827	3,613	382,364
Travel	611,228	51,771	5,384	257,976	156,923	69,655
Scholarships and Fellowships	74,648	4,920	-	-	1,000	-
Utilities	181,914	1,351	1,225	69,336	41,394	44,975
Supplies and Other Services	6,935,064	409,064	55,854	4,954,426	3,122,385	2,618,769
Depreciation	1,934,284	160,643	-	1,224,964	987,990	212,491
<b>Total Expenses</b>	<b>\$ 52,678,753</b>	<b>\$ 1,624,407</b>	<b>\$ 290,376</b>	<b>\$ 17,080,448</b>	<b>\$ 10,826,660</b>	<b>\$ 13,104,091</b>

Natural Classification	Functional Classification			
	Fiscal Year 2012			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	\$ (896,188)	\$ -	\$ 1,076,371	\$ 33,016,529
Staff	5,384,712	-	5,051,746	32,172,417
Benefits	1,808,329	800	1,292,942	19,519,045
Personal Services	(934,492)	-	886,297	377,627
Travel	23,705	-	118,040	1,294,682
Scholarships and Fellowships	-	9,781,987	1,273,484	11,136,039
Utilities	2,199,006	-	1,572,997	4,112,198
Supplies and Other Services	4,437,800	-	14,253,327	36,786,689
Depreciation	1,634,671	-	4,030,721	10,185,764
<b>Total Expenses</b>	<b>\$ 13,657,543</b>	<b>\$ 9,782,787</b>	<b>\$ 29,555,925</b>	<b>\$ 148,600,990</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 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. Accordingly, the University of West Georgia has not included financial activity for these affiliated organizations in these financial statements.