



GeorgiaState
University

2015

ANNUAL
FINANCIAL
REPORT

*for the Fiscal Year Ended June 30, 2015
(Including Independent Auditors' Report)*

GEORGIA STATE UNIVERSITY

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

October 7, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Dr. Mark P. Becker, President
Georgia State University

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying basic financial statements (Exhibits A through D) of Georgia State University, a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Georgia State University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Georgia State University's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Georgia State University as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Georgia State University are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State of Georgia that is attributable to the transactions of Georgia State University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2015, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2015, Georgia State University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Georgia State University restated beginning Net Position for the cumulative effect of these accounting changes which had a significant impact on Georgia State University's financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vii and the Schedules of Proportionate Share of the Net Pension Liability and Schedules of Contributions to Retirement Systems on pages 30 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Georgia State University. The accompanying supplementary information (Schedules 1 through 11) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information (Schedules 6 through 11) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [2], on our consideration of Georgia State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Georgia State University's internal control over financial reporting and compliance.

Respectfully,



Greg S. Griffin
State Auditor

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University is one of the 30 institutions of higher education of the University System of Georgia. The University, located in Atlanta, Georgia, was founded in 1913. The University offers baccalaureate, master and doctoral degrees in a wide variety of subjects. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 32,000 students each year. The University continues to grow as shown by the comparison numbers that follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2015	1,284	32,541	29,203
Fiscal Year 2014	1,363	32,165	28,801
Fiscal Year 2013	1,276	32,087	28,568

Overview of the Financial Statements and Financial Analysis

Georgia State University is pleased to present its financial statements for fiscal year 2015. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2015 and fiscal year 2014. However, the comparative data for fiscal year 2014 does not reflect the effects of the restatement of July 1, 2014 net position. This restatement is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* which were adopted by the University for fiscal year 2015. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement resulted in a restatement to beginning net position of \$198,255,231. This restatement is based on actuarial estimates and information is not available for the fiscal year 2014 comparative balances. See Note 1 in the Notes to the Financial Statements for more information about the restatement of July 1, 2014 net position.

Statement of Net Position

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

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

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

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

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

Statement of Net Position, Condensed

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Assets		
Current Assets	\$ 221,500,411	\$ 250,214,019
Capital Assets, Net	752,498,920	810,457,161
Other Assets	<u>7,500,623</u>	<u>8,748,175</u>
Total Assets	<u>981,499,954</u>	<u>1,069,419,355</u>
Deferred Outflows of Resources	<u>18,184,710</u>	<u>0</u>
Liabilities		
Current Liabilities	71,055,411	69,601,080
Noncurrent Liabilities	<u>358,691,247</u>	<u>367,336,063</u>
Total Liabilities	<u>429,746,658</u>	<u>436,937,143</u>
Deferred Inflows of Resources	<u>62,458,162</u>	<u>15,787,349</u>
Net Position		
Net Investment in Capital Assets	549,245,138	429,900,254
Restricted		
Nonexpendable	65,551	65,255
Expendable	23,362,214	17,977,070
Unrestricted	<u>-65,193,059</u>	<u>168,752,284</u>
Total Net Position	<u>\$ 507,479,844</u>	<u>\$ 616,694,863</u>

(1) The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position.

See Note 1 in the Notes to the Financial Statements for more information.

Total assets and deferred outflows of resources decreased by \$69,734,691 which was primarily due to a decrease of \$57,958,241 in the category of Capital Assets Net. The balance of the decrease is mainly in receivable categories. Deferred outflow of resources increased as a result of GASB 68, *Accounting and Financial Reporting for Pensions*.

The consumption of assets follows the University philosophy to use available resources to acquire and improve all areas of the University to better serve the instruction, research and public service missions of the University.

Total liabilities and deferred inflows of resources increased for the year by \$39,480,328. The combination of the decrease in total assets and deferred outflows of resources of \$69,734,691 and the increase in total liabilities and deferred inflows of resources \$39,480,328 yields a decrease in net position of \$109,215,019. The decrease in net position is primarily in the category of Net Investment in Capital Assets.

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 University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. 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 University. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

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

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Operating Revenues	\$ 430,961,005	\$ 397,428,717
Operating Expenses	<u>662,259,179</u>	<u>615,502,290</u>
Operating Loss	-231,298,174	-218,073,573
Nonoperating Revenues and Expenses	<u>232,693,154</u>	<u>235,494,694</u>
Income Before Other Revenues, Expenses, Gains or Losses	1,394,980	17,421,121
Other Revenues, Expenses, Gains or Losses	<u>87,645,232</u>	<u>8,186,768</u>
Increase in Net Position	<u>89,040,212</u>	<u>25,607,889</u>
Net Position at Beginning of Year, as Originally Reported	616,694,863	591,086,974
Prior Year Adjustments	<u>-198,255,231</u>	<u></u>
Net Position at Beginning of Year, Restated	<u>418,439,632</u>	<u>591,086,974</u>
Net Position at End of Year	<u>\$ 507,479,844</u>	<u>\$ 616,694,863</u>

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

The Statement of Revenues, Expenses and Changes in Net Position reflect a positive year from operation, but an overall negative year due to the implementation of new accounting standards related to pension plans, which is represented by a decrease 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, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Operating Revenue		
Tuition and Fees	\$ 233,169,805	\$ 225,837,006
Grants and Contracts	90,692,700	77,109,511
Sales and Services	27,930,870	21,471,077
Auxiliary	76,121,483	70,651,231
Other	<u>3,046,147</u>	<u>2,359,892</u>
 Total Operating Revenue	<u>430,961,005</u>	<u>397,428,717</u>
 Nonoperating Revenue		
State Appropriations	187,748,590	187,399,846
Grants and Contracts	64,372,453	63,370,493
Gifts	7,088,255	4,146,132
Investment Income	723,468	779,536
Other	<u>-6,819,750</u>	<u>586,799</u>
 Total Nonoperating Revenue	<u>253,113,016</u>	<u>256,282,806</u>
 Capital Grants and Gifts		
State	68,950,855	8,143,768
Other Capital Gifts and Grants	<u></u>	<u>43,000</u>
 Total Capital Grants and Gifts	<u>68,950,855</u>	<u>8,186,768</u>
 Special Items		
Capital Asset Transfer	10,006,041	
Bond Defeasance	<u>8,688,336</u>	
 Total Special Items	<u>18,694,377</u>	
 Total Revenues	<u>\$ 771,719,253</u>	<u>\$ 661,898,291</u>

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

Expenses (By Functional Classification)
For the Years Ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014 (1)</u>
Operating Expenses		
Instruction	\$ 215,496,554	\$ 200,788,390
Research	139,543,479	115,092,817
Public Service	17,187,277	17,688,107
Academic Support	73,985,065	69,382,730
Student Services	40,456,313	38,715,788
Institutional Support	31,580,297	36,161,684
Plant Operations and Maintenance	61,312,037	58,682,345
Scholarships and Fellowships	23,232,322	23,798,602
Auxiliary Enterprises	<u>59,465,835</u>	<u>55,191,827</u>
 Total Operating Expenses	 662,259,179	 615,502,290
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>20,419,862</u>	<u>20,788,112</u>
 Total Expenses	 <u>\$ 682,679,041</u>	 <u>\$ 636,290,402</u>

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

Operating revenues increased by \$33,532,288 in fiscal year 2015. Tuition and Fees included a 3% increase, revenues increased in Grants and Contracts, Auxiliary and Other categories as well.

The Auxiliary revenue increase of \$5,470,252 is a result of the changing environment of residential life on the University's campus. During the year, on campus housing averaged 97% occupancy and on campus dining increased catering and dining hall sales.

Nonoperating revenues decreased \$3,169,790 by for the year primarily due to expenses associated with nonmonetary gifts from the Georgia State University Foundation.

The compensation and employee benefits category increased by \$23,590,772 and primarily affected the Instruction, Research and Academic Support categories. The increase reflects the addition of 25 faculty members, merit increases and an increased cost of health insurance for the employees of the University.

Utilities increased by \$426,908 during the past year. The increase was primarily associated with the increased natural gas costs that were experienced in the winter of fiscal year 2015 and affected the Plant Operations and Maintenance category.

Statement of Cash Flows

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Provided (Used) By:		
Operating Activities	\$ -187,662,468	\$ -176,556,192
Noncapital Financing Activities	271,123,285	237,160,302
Capital and Related Financing Activities	-94,903,598	-57,936,892
Investing Activities	<u>724,956</u>	<u>771,720</u>
Net Change in Cash	-10,717,825	3,438,938
Cash, Beginning of Year	<u>187,145,325</u>	<u>183,706,387</u>
Cash, End of Year	<u>\$ 176,427,500</u>	<u>\$ 187,145,325</u>

Capital Assets

The University had one significant capital asset addition for facilities in fiscal year 2015. Construction of the Humanities/Law School building was completed and placed into service late in fiscal year 2015 for \$63 million.

\$59 million for this project was funded by the Georgia State Financing and Investment Commission (GSFIC).

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 12 in the Notes to the Financial Statements.

Long-Term Liabilities

Georgia State University had Long-Term Liabilities of \$373,680,378 of which \$14,989,131 was reflected as current liability at June 30, 2015.

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

Economic Outlook

The University's overall financial position is strong. The University experienced a record-breaking year by exceeding \$100 million in sponsored project funding for the first time in its history. Additionally, on January 6, 2015, the University System of Georgia Board of Regents approved a proposal to consolidate Georgia State University and Georgia Perimeter College. The consolidation timeline calls for the approval of the plan by the Board of the Southern Association of Colleges and Schools commission on Colleges by the end of this calendar year, followed by the Board of Regents approval of the new institution in early 2016. The University acted on the proposal by launching a campus-wide program to map out and coordinate plans to consolidate with Georgia Perimeter College. 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. Mark P. Becker, President
Georgia State University

BASIC FINANCIAL STATEMENTS

GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 176,410,109
Accounts Receivable, Net (Note 3)	
Receivables - Federal Financial Assistance	15,957,579
Receivables - Other	23,418,426
Due from Affiliated Organizations	421,766
Inventories (Note 4)	388,874
Prepaid Items	4,877,880
Other Assets	25,777
	<hr/>
Total Current Assets	221,500,411
Noncurrent Assets	
Noncurrent Cash	17,391
Investments (Externally Restricted)	65,551
Due from Affiliated Organizations	222,703
Due from USO - Capital Liability Reserve Fund	982,864
Notes Receivable, Net	6,212,114
Capital Assets, Net (Note 6)	752,498,920
	<hr/>
Total Noncurrent Assets	759,999,543
	<hr/>
Total Assets	981,499,954
Deferred Outflows of Resources	
Related to Defined Benefit Pension Plans	18,184,710
	<hr/>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	27,312,462
Salaries Payable	1,429,743
Retainage Payable	1,560,443
Deposits	5,875
Advances (Including Tuition and Fees) (Note 7)	23,070,642
Other Liabilities	174,436
Deposits Held for Other Organizations	982,034
Lease Purchase Obligations	6,566,136
Compensated Absences	8,422,995
Due to Affiliated Organizations	1,530,645
	<hr/>
Total Current Liabilities	71,055,411
Noncurrent Liabilities	
Lease Purchase Obligations	196,687,646
Compensated Absences	6,431,665
Net Pension Liability	155,571,936
	<hr/>
Total Noncurrent Liabilities	358,691,247
	<hr/>
Total Liabilities	429,746,658
Deferred Inflows of Resources	
Deferred Grants	8,302,407
Related to Defined Benefit Pension Plans	54,155,755
	<hr/>
Total Deferred Inflows of Resources	62,458,162
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	549,245,138
Restricted for:	
Nonexpendable	65,551
Expendable	23,362,214
Unrestricted	-65,193,059
	<hr/>
Total Net Position	\$ 507,479,844
	<hr/>

The notes to the financial statements are an integral part of this statement.

GEORGIA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	\$	295,473,979
Less: Scholarship Allowances		-62,304,174
Grants and Contracts		
Federal		58,752,706
Federal Stimulus		658,682
State		7,887,408
Other		23,393,904
Sales and Services		27,930,870
Rents and Royalties		520,262
Auxiliary Enterprises		
Residence Halls		29,433,546
Bookstore		1,450,778
Food Services		8,484,186
Parking/Transportation		8,444,692
Health Services		2,741,211
Intercollegiate Athletics		18,906,145
Other Organizations		6,660,925
Other Operating Revenues		<u>2,525,885</u>
 Total Operating Revenues		 <u>430,961,005</u>

OPERATING EXPENSES

Salaries		
Faculty		123,773,011
Staff		208,168,642
Employee Benefits		78,286,079
Other Personal Services		1,767,717
Travel		6,360,339
Scholarships and Fellowships		31,473,832
Utilities		17,914,859
Supplies and Other Services		148,221,572
Depreciation		<u>46,293,128</u>
 Total Operating Expenses		 <u>662,259,179</u>
 Operating Loss		 <u>-231,298,174</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations		187,748,590
Grants and Contracts		
Federal		61,007,670
Other		3,364,783
Gifts		7,088,255
Investment Income (Endowments, Auxiliary and Other)		723,468
Interest Expense (Capital Assets)		-20,419,862
Other Nonoperating Expenses		<u>-6,819,750</u>
 Net Nonoperating Revenues		 <u>232,693,154</u>
 Income Before Other Revenues, Expenses, Gains, or Losses		 <u>1,394,980</u>
Capital Grants and Gifts		
State		68,950,855
Special Item - Capital Asset Transfer		10,006,041
Special Item - Bond Defeasance		<u>8,688,336</u>
 Total Other Revenues, Expenses, Gains or Losses		 <u>87,645,232</u>
 Increase in Net Position		 <u>89,040,212</u>
 Net Position - Beginning of Year, Originally Reported		 616,694,863
 Prior Year Adjustments		 <u>-198,255,231</u>
 Net Position - Beginning of Year, Restated		 <u>418,439,632</u>
 Net Position - End of Year	 \$	 <u><u>507,479,844</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 232,228,701
Grants and Contracts (Exchange)	89,010,555
Sales and Services	27,638,392
Payments to Suppliers	-276,773,945
Payments to Employees	-312,247,654
Payments for Scholarships and Fellowships	-31,473,832
Loans Issued to Students and Employees	-2,704,629
Collection of Loans to Students and Employees	3,070,104
Auxiliary Enterprise Charges:	
Residence Halls	30,671,879
Bookstore	1,446,984
Food Services	8,422,526
Parking/Transportation	8,340,408
Health Services	2,614,213
Intercollegiate Athletics	18,808,730
Other Organizations	6,766,794
Other Receipts	<u>6,518,306</u>
Net Cash Used by Operating Activities	<u>-187,662,468</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	187,748,590
Agency Funds Transactions	18,667,067
Gifts and Grants Received for Other than Capital Purposes	<u>64,707,628</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>271,123,285</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	8,475,065
Purchases of Capital Assets	-74,522,419
Principal Paid on Capital Debt and Leases	-8,960,860
Interest Paid on Capital Debt and Leases	<u>-19,895,384</u>
Net Cash Used by Capital and Related Financing Activities	<u>-94,903,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	67,039
Interest on Investments	723,468
Purchase of Investments	<u>-65,551</u>
Net Cash Provided by Investing Activities	<u>724,956</u>
Net Decrease in Cash	-10,717,825
Cash and Cash Equivalents - Beginning of Year	<u>187,145,325</u>
Cash and Cash Equivalents - End of Year	<u>\$ 176,427,500</u>

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating Loss	\$ -231,298,174
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	46,293,128
Change in Assets and Liabilities:	
Receivables, Net	475,380
Inventories	21,633
Other Assets	195,578
Prepaid Items	-143,612
Notes Receivable, Net	365,477
Accounts Payable	-226,367
Salaries Payable	330,281
Advances (Including Tuition and Fees)	-1,995,917
Other Liabilities	2,107,963
Compensated Absences	1,362,873
Net Pension Liability	-58,121,364
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	55,717,295
Deferred Outflows of Resources	<u>-2,746,642</u>
Net Cash Used by Operating Activities	<u>\$ -187,662,468</u>

NONCASH ACTIVITY

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$ 792,762
Special Item - Capital Asset Transfer	<u>10,006,041</u>
Special Item - Bond Defeasance	<u>8,688,336</u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	<u>59,356,161</u>

The notes to the financial statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

Georgia State University is one of thirty (30) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Georgia State University as a separate reporting entity.

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

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 19 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, deferred outflows of resources, liabilities, deferred inflows of resources net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

New Accounting Pronouncements

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State 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.

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 Diversified Fund is included under Investments.

Inventories

Consumable supplies and Resale Inventories are valued at cost using an average-cost basis.

Prepaid Items

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

Noncurrent Cash and Investments

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements. Research Buildings are depreciated by building component such as elevators, general structure, HVAC (heating, ventilation and air conditioning), roof, etc. The useful life of these components is generally between 15 and 40 years.

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

Capital Liability Reserve Fund

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG university is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the University. Georgia State University's contribution to the fund as of June 30, 2015 was \$982,864.

Deposits

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

Advances

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

Deferred Outflows of Resources

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

Compensated Absences

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

Noncurrent Liabilities

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

Deferred Inflows of Resources

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

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

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

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

Restricted - expendable and expendable: Capital Projects: are restricted resources available for expenditure, but these restricted resources must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted: Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of Investment in Capital Assets. Included in the net deficit reported is non-current liabilities of \$155,571,936 which will be funded by appropriating resources each year as payments come due, rather than accumulating resources in advance.

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

Income Taxes

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

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classify fiscal year activity as operating and nonoperating 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.

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable 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.

Nonoperating expense includes activities that have the characteristics of nonexchange 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 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.

Special Item Transfer

On May 14, 2015, Georgia State University transferred the University Commons dormitory building with a reported gross book balance value of \$162,222,673 and accumulated depreciation of \$28,246,754, for a net book value of \$133,975,919 to the University System Office.

On May 14, 2015, Georgia State University transferred the Patton Hall dormitory building with a reported gross book balance value of \$18,500,027 and accumulated depreciation of \$2,393,441, for a net book value of \$16,106,586 to the University System Office.

The net effect of the transfer of these assets and remaining lease debt of \$160,088,546 resulted in a gain of \$10,006,041 and is noted as a Special Item Transfer on the Statement of Revenue, Expenses and Changes in Net Position. These dormitories were included in the Public-Private Partnership (P3) master agreement between the University System of Georgia and the vendor established during fiscal year 2015. To help facilitate consistent accounting treatment throughout the life of the 65 year P3 agreement and since the agreement affects nine institutions within the University System of Georgia, the Service Concession arrangement including the capital assets are being reflected on the University System Office's accounting records. See the service concession arrangement note disclosure within the University System Office's financial statements for more information.

There is another Special Item noted on the Statement of Revenue, Expenses and Changes in Net Position as a result of this transfer. Georgia State University recognized a gain from refinancing the Commons dormitory 2 years ago, and since the asset was transferred to the University System Office the entire remaining gain was recognized in fiscal year 2015, in the amount of \$8,688,336.

Restatement Note Disclosure

For fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which require the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of \$198,255,231 of which \$213,693,299 is represented in Net Position Liability and \$15,438,068 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

Note 2. Deposits and Investments

Deposits

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

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

At June 30, 2015, the carrying value of deposits was \$10,069,158 and the bank balance was \$14,376,901. Of the University's deposits, \$14,126,901 was uninsured. Of these uninsured deposits, \$14,126,901 was collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

Investments

At June 30, 2015, the carrying value of the University's investments was \$166,398,623, 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	\$ 69,691,908
Diversified Fund	65,551
Georgia Fund 1	<u>96,641,164</u>
 Total Investment Pools	 \$ <u><u>166,398,623</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 and Accounts - Education Audit Division or on their web site at <http://www.audits.ga.gov>.

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

The Georgia Fund 1 Investment Pool is an AAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 56 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk is to comply with University policy and applicable Federal and State laws. The University's policy for managing interest rate risk for Endowment Funds is that the average maturity of the fixed income portfolio shall not exceed ten years and for Operating Funds the average maturity of the fixed income portfolio shall not exceed two years.

The Effective Duration of the Short-Term Fund is .33 years. Of the University's total investment of \$69,691,908 in the Short-Term Fund, \$69,691,908 is invested in debt securities.

The Effective Duration of the Diversified Fund is 4.79 years. Of the University's total investment of \$65,551 in the Diversified Fund, \$22,732 is invested in debt securities.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk is to comply with University policy and applicable Federal and State laws.

GEORGIA STATE UNIVERSITY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "D"

The University policy for managing credit quality risk is that all debt issues must be investment grade with ratings of at least BBA by Moody's and Standard and Poor's at the time of purchase as defined by the University System of Georgia. The Georgia Fund 1 investment is rated AA+ by Standard and Poor's. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. As previously stated, the Board of Regents Total Return Fund investment is not rated.

Note 3. Accounts Receivable

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

	June 30, 2015	June 30, 2014
Student Tuition and Fees	\$ 9,458,077	\$ 10,483,840
Auxiliary Enterprises and Other Operating Activities	1,595,147	1,455,519
Federal Financial Assistance	15,957,579	34,357,868
Georgia State Financing and Investment Commission	2,280,083	3,440,836
Due from Affiliated Organizations	421,765	11,176,119
Other	14,900,226	429,921
	44,612,877	61,344,103
Less Allowance for Doubtful Accounts	4,815,106	3,746,552
Net Accounts Receivable	\$ 39,797,771	\$ 57,597,551

Note 4. Inventories

Inventories consisted of the following at June 30, 2015:

	June 30, 2015	June 30, 2014
Physical Plant	\$ 340,059	\$ 368,835
Other	48,815	41,671
Total Inventories	\$ 388,874	\$ 410,506

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2015. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015, the allowance for uncollectible loans was approximately \$43,081.

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "D"

Note 6. Capital Assets

	Beginning Balance July 1, 2014	Special Item Transfer	Additions	Reductions	Ending Balance June 30, 2015
Capital Assets, Not Being Depreciated:					
Land	\$ 88,704,816	\$ 0	\$ 9,004,786		\$ 97,709,602
Capitalized Collections	274,700				274,700
Construction Work-In-Progress	<u>13,340,875</u>		<u>26,620,944</u>	<u>\$ 18,964,342</u>	<u>20,997,477</u>
Total Capital Assets, Not Being Depreciated	<u>102,320,391</u>	<u>0</u>	<u>35,625,730</u>	<u>18,964,342</u>	<u>118,981,779</u>
Capital Assets, Being Depreciated:					
Infrastructure	30,607,962		1,322,493		31,930,455
Building and Building Improvements	878,822,767	-180,722,700	102,967,089		801,067,156
Facilities and Other Improvements	9,551,052		618,321		10,169,373
Equipment	96,355,832		9,428,796	3,434,545	102,350,083
Leased Equipment	1,598,136		792,762	613,435	1,777,463
Library Collections	<u>139,039,203</u>		<u>6,971,992</u>	<u>120,789</u>	<u>145,890,406</u>
Total Assets Being Depreciated	<u>1,155,974,952</u>	<u>-180,722,700</u>	<u>122,101,453</u>	<u>4,168,769</u>	<u>1,093,184,936</u>
Less: Accumulated Depreciation:					
Infrastructure	7,186,686		1,965,100		9,151,786
Building and Building Improvements	262,691,162	-30,640,195	27,713,024		259,763,991
Facilities and Other Improvements	2,192,413		925,831		3,118,244
Equipment	67,985,835		9,068,850	3,323,949	73,730,736
Leased Equipment	543,508		302,858	378,582	467,784
Library Collections	<u>107,238,578</u>		<u>6,317,465</u>	<u>120,789</u>	<u>113,435,254</u>
Total Accumulated Depreciation	<u>447,838,182</u>	<u>-30,640,195</u>	<u>46,293,128</u>	<u>3,823,320</u>	<u>459,667,795</u>
Total Capital Assets, Being Depreciated, Net	<u>708,136,770</u>	<u>-150,082,505</u>	<u>75,808,325</u>	<u>345,449</u>	<u>633,517,141</u>
Capital Assets, Net	<u>\$ 810,457,161</u>	<u>\$ -150,082,505</u>	<u>\$ 111,434,055</u>	<u>\$ 19,309,791</u>	<u>\$ 752,498,920</u>

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

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2015, GSFIC transferred capital additions valued at \$59 million to Georgia State University.

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "D"

Note 7. Advances (Including Tuition and Fees)

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

	June 30, 2015	June 30, 2014
Prepaid Tuition and Fees	\$ 16,889,895	\$ 19,826,033
Research	809,485	4,882,380
Other - Advances	5,371,262	
 Total Unearned Revenue	 \$ 23,070,642	 \$ 24,708,413

All advances totaled \$23,070,642 of which \$23,070,642 was reflected as current.

Note 8. Long-Term Liabilities

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

	Beginning Balance July 1, 2014 (Restated)	Special Item Transfers	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Leases						
Lease Obligations	\$ 371,510,426	\$ -160,088,546	\$ 792,762	\$ 8,960,860	\$ 203,253,782	\$ 6,566,136
Other Liabilities						
Compensated Absences	13,491,787		11,140,622	9,777,749	14,854,660	8,422,995
Net Pension Liability	213,693,299	0		58,121,363	155,571,936	
Total	227,185,086	0	11,140,622	67,899,112	170,426,596	8,422,995
Total Long-Term Obligations	\$ 598,695,512	\$ -160,088,546	\$ 11,933,384	\$ 76,859,972	\$ 373,680,378	\$ 14,989,131

Note 9. Net Position

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

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "D"

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

	June 30, 2015	June 30, 2014
Net Investments in Capital Assets	\$ 549,245,138	\$ 429,900,254
Restricted for		
Nonexpendable		
Permanent Endowment	65,551	65,255
Expendable		
Organized Activities	15,541,419	11,328,404
Federal Loans	6,645,654	6,604,897
Institutional Loans	-24,859	43,769
Capital Projects	1,200,000	
Total Expendable	23,362,214	17,977,070
Unrestricted		
Auxiliary Operations	28,773,714	
R & R Reserve	23,003,399	20,810,367
Reserve for Encumbrances	16,707,428	59,514,262
Reserve for Inventory	349,139	339,634
Other Unrestricted	-135,009,603	88,088,021
USO Reserve Fund	982,864	
Total Expendable	-65,193,059	168,752,284
TOTAL NET POSITION	\$ 507,479,844	\$ 616,694,863

Note 10. Endowments

Donor Restricted Endowments:

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Georgia State University to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$296 and is reflected as restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated on the total return concept. Annual payouts from the University's endowment funds are based on a spending policy which limits spending to no more than 5% of the endowments principal's market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal.

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Note 11. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$23,502,698 as of June 30, 2015. This amount is not reflected in the accompanying basic financial statements.

Note 12. Lease Obligations

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

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2045. Payments for fiscal year 2015 were \$29.2 million of which \$20.4 million represented interest. Total principal paid on capital leases was \$9.0 million for the fiscal year ended June 30, 2015. Interest rates range up to 8.6 percent.

CAPITAL LEASE SCHEDULE

<u>Description</u>	<u>Lessor</u>	<u>Original Principal</u>	<u>LEASE TERM</u>	<u>Begin</u>	<u>End</u>	<u>Outstanding Principal Balance at June 30, 2015</u>
Alpharetta Center	(1) GSU Foundation	\$ 11,500,373	20 yrs	Mar-00	Feb-15	\$ 4,963,922
Lofts housing	(1) GSU Foundation	39,965,234	27 years	Jan-15	Aug-32	34,835,995
Student Recreation Center	(1) GSU Foundation	29,442,679	21 years	Jul-15	21-Jun	16,124,231
Rialto Center	(1) GSU Foundation	1,041,646	35 years	Dec-15	Nov-44	993,773
Petit Science Center	(1) GSU Research Foundation	85,853,469	30 years	May-15	Jun-39	80,940,822
SunTrust Building and Complex	(1) GSU Foundation	65,483,384	30 years	Jun-15	Jun-37	64,331,223
Various Copiers	various vendors	1,777,463	3 to 5 years	Jul-15	20-Jun	1,063,816
		<u>\$ 235,064,248</u>				<u>\$ 203,253,782</u>

(1) These capital leases are with related entities.

Operating Leases

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2054. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled \$6,033,359 for the fiscal year ended June 30, 2015.

Examples of property under operating leases are copiers and other small business equipment. In addition, the University is party to several real property operating leases for floor space in several buildings.

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, 2015, were as follows:

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	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2015	\$ 20,365,260	\$ 5,570,081
2016	20,390,181	5,920,427
2017	20,367,149	5,981,653
2018	20,326,874	4,710,856
2019	20,466,628	4,515,423
2021 - 2025	83,026,633	19,434,480
2026 - 2030	82,449,542	1,075,067
2031 - 2035	75,156,343	663,580
2036 - 2040	39,678,695	663,580
2041 - 2045	350,261	663,580
2046 - 2050		663,580
2051 - 2054		398,148
Total Minimum Lease Payments	382,577,566	\$ <u>50,260,455</u>
Less: Interest	<u>179,323,784</u>	
Principal Outstanding	<u>\$ 203,253,782</u>	

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

Description	Gross Amount (+)	Accumulated Depreciation (-)	Net Capital Assets Held Under Capital Lease at June 30, 2015 (=)	Outstanding Balances per Lease Schedules at June 30, 2015
Equipment	\$ 1,777,463	\$ 467,784	\$ 1,309,679	\$ 1,063,817
Buildings	41,088,341	13,809,615	27,278,726	35,829,768
Buildings - (PPV Only)	<u>179,738,313</u>	<u>29,140,038</u>	<u>150,598,275</u>	<u>166,360,197</u>
Total Assets Held Under Capital Lease at June 30, 2015	<u>\$ 222,604,117</u>	<u>\$ 43,417,437</u>	<u>\$ 179,186,680</u>	<u>\$ 203,253,782</u>

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

Note 13. Retirement Plans

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

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

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

Summary of Significant Accounting Policies

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

General Information about the Teachers' Retirement System

Plan description: -All teachers of the University as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2015. The University's contractually required contribution rate for the year ended June 30, 2015 was 13.15 % of annual University payroll. University contributions to TRS were \$17,385,977 for the year ended June 30, 2015. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

General Information about the Employees' Retirement System

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

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS. Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60. Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The University's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. The University's contributions to ERS totaled \$124,610 for the year ended June 30, 2015. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS totaling \$155,571,936. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014. At June 30, 2014, the University's TRS proportion was 1.224%, which was an increase of .00475% from its proportion measured as of June 30, 2013. At June 30, 2014, the University's ERS proportion was .0251%, which was an increase of .0006% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$10,752,408 for TRS and \$45,928 for ERS. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 53,907,847		\$ 229,512
Changes in proportion and differences between University contributions and proportionate share of contributions	\$ 674,123			18,396
University contributions subsequent to the measurement date	17,385,977		\$ 124,610	
Total	\$ 18,060,100	\$ 53,907,847	\$ 124,610	\$ 247,908

The University contributions subsequent to the measurement date of \$17,385,977 for TRS and \$124,610 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2016	\$ -13,323,749	\$ -68,876
2017	\$ -13,323,749	\$ -64,277
2018	\$ -13,323,749	\$ -57,378
2019	\$ -13,323,761	\$ -57,377
2020	\$ 61,284	\$

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

Teachers' Retirement System:

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

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

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

Employees' Retirement System

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

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

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

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

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

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

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

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

Teachers' Retirement System:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
University's proportionate share of the net pension liability	\$ 284,965,257	\$ 154,631,581	\$ 47,304,505

Employees' Retirement System:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
University's proportionate share of the net pension liability	\$ 1,371,224	\$ 940,355	\$ 573,585

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

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three 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

Georgia State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers' Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2015, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

Georgia State University and the covered employees made the required contributions of \$12,815,205 (9.24%) and \$8,316,964 (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

Georgia State University 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 the 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 2015 amounted to \$680,104 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 14. Risk Management

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

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

Georgia State University 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 BlueChoice HMO, Comprehensive Care Plan and Consumer Choice HSA Plan.

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

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

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

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

Note 15. Contingencies

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

Litigation, claims and assessments filed against Georgia State University (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

Note 16. 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.

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

As of June 30, 2015, there were 1,169 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, Georgia State University recognized as incurred \$6,226,668 of expenditures, which was net of \$2,949,684 of participant contributions.

Note 17. Natural Classifications with Functional Classifications

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

<u>Natural Classification</u>	Functional Classification				
	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	\$ 93,777,619	\$ 28,313,402	\$ 767,330	\$ 613,590	\$ 169,566
Staff	46,466,217	47,116,450	8,793,902	35,238,583	21,594,766
Employee Benefits	41,321,339	11,239,837	2,699,832	10,459,607	5,904,528
Other Personal Services	425,364			428,720	
Travel	2,139,637	2,189,599	579,628	664,357	449,640
Scholarships and Fellowships	3,696,172	1,493,070	782,903	19,069	649,984
Utilities	23,215	32,859	22,286	594,302	58,047
Supplies and Other Services	18,982,257	36,837,059	3,412,615	15,985,829	8,575,765
Depreciation	8,664,734	12,321,203	128,781	9,981,008	3,054,017
Total Operating Expenses	<u>\$ 215,496,554</u>	<u>\$ 139,543,479</u>	<u>\$ 17,187,277</u>	<u>\$ 73,985,065</u>	<u>\$ 40,456,313</u>

<u>Natural Classification</u>	Functional Classification				
	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	\$ 131,504				\$ 123,773,011
Staff	21,080,890	\$ 18,248,734	\$ 85,353	\$ 9,543,747	208,168,642
Employee Benefits	-1,505,201	5,618,859	1,544	2,545,734	78,286,079
Other Personal Services	913,633				1,767,717
Travel	205,548	35,159		96,771	6,360,339
Scholarships and Fellowships	1,733,099		23,099,535		31,473,832
Utilities	53,819	13,660,597		3,469,734	17,914,859
Supplies and Other Services	8,129,722	20,200,027	45,890	36,052,408	148,221,572
Depreciation	837,283	3,548,661		7,757,441	46,293,128
Total Operating Expenses	<u>\$ 31,580,297</u>	<u>\$ 61,312,037</u>	<u>\$ 23,232,322</u>	<u>\$ 59,465,835</u>	<u>\$ 662,259,179</u>

Note 18. Related Party Transactions

Georgia State University's Health Policy Center contracted with a related party entity named Georgia Health Decisions, Incorporated. Georgia Health Decisions is a related party because Beverly Tyler is Executive Director of Georgia Health Decisions and also an employee of Georgia State University. While Beverly Tyler serves as the Executive Director she is not an employee of Georgia Health Decisions. Beverly Tyler's salary is funded by sponsored projects. Georgia Health Decisions is a nonprofit, nonpartisan organization seeking to educate Georgians about health care issues. Georgia Health Decisions was part of the group that founded the University's Georgia Health Policy Center in 1995. In 2005, Georgia Health Decisions solidified its relationship when it relocated to the Georgia Health Policy Center. In this partnership, Georgia Health Decisions supports Georgia Health Policy Center projects while continuing to be responsible for its own staff oversight, accounting and other administrative duties. There are various consulting agreements in place between the University and Georgia Health Decisions for Georgia Health Decisions to conduct focus groups for current University Health Policy Center sponsored projects. The University has reviewed this relationship and has determined that there is not a conflict. During fiscal year 2015, the University paid Georgia Health Decisions \$119,100 for contract expenses and \$12,959 for reimbursement of travel expenditures and other expenses. All expenditures were funded through sponsored projects.

Note 19. Affiliated Organizations

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

Georgia State University Foundation and Georgia State University Research Foundation have been determined to be significant to the State of Georgia for the year ended June 30, 2015, and as such, is reported as a component unit in the Comprehensive Annual Financial Report of the State of Georgia (CAFR).

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	2015
University's proportion of the net pension liability	1.22%
University's proportionate share of the net pension liability	\$ 154,631,581.00
University's covered-employee payroll	\$ 124,188,850.94
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	124.51%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GEORGIA STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	2015
University's proportion of the net pension liability	0.025%
University's proportionate share of the net pension liability	\$ 940,355.00
University's covered-employee payroll	\$ 568,110.14
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	115.52%
Plan fiduciary net position as a percentage of the total pension liability	77.99%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GEORGIA STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 17,385,977.00	\$ 15,520,390.91	\$ 13,998,279.59	\$ 12,718,066.00
Contributions in relation to the contractually required contribution	<u>\$ 17,385,977.00</u>	<u>\$ 15,520,390.91</u>	<u>\$ 13,998,279.59</u>	<u>\$ 12,718,066.00</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
University's covered-employee payroll	\$ 132,212,754.00	\$ 124,188,850.94	\$ 122,689,453.71	\$ 123,716,595.33
Contributions as a percentage of covered-employee payroll	13.15%	12.50%	11.41%	10.28%

Schedule includes all significant plans and funds administered by Georgia State University.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	12,254,249.00	\$ 11,491,233.00	\$ 11,011,351.00	\$ 10,535,476.00	\$ 9,727,493.00	\$ 9,434,148.00
\$	<u>12,254,249.00</u>	<u>11,491,233.00</u>	<u>11,011,351.00</u>	<u>10,535,476.00</u>	<u>9,727,493.00</u>	<u>9,434,148.00</u>
\$	0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$	119,204,756.81	\$ 117,979,804.93	\$ 118,656,799.57	\$ 113,528,836.21	\$ 104,822,122.84	\$ 102,101,168.83
	10.28%	9.74%	9.28%	9.28%	9.28%	9.24%

GEORGIA STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 124,610.00	\$ 105,058.00	\$ 88,840.57	\$ 80,034.00
Contributions in relation to the contractually required contribution	<u>\$ 124,610.00</u>	<u>\$ 105,058.00</u>	<u>\$ 88,840.57</u>	<u>\$ 80,034.00</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
College/University's covered-employee payroll	\$ 567,440.00	\$ 568,110.14	\$ 596,244.79	\$ 688,168.53
Contributions as a percentage of covered-employee payroll	21.96%	18.49%	14.90%	11.63%

Schedule includes all significant plans and funds administered by Georgia State University.

SCHEDULE "4"

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 56,274.00	\$ 63,034.00	\$ 89,785.00	\$ 92,322.00	\$ 100,794.00	\$ 76,414.00
<u>\$ 56,274.00</u>	<u>\$ 63,034.00</u>	<u>\$ 89,785.00</u>	<u>\$ 92,322.00</u>	<u>\$ 100,794.00</u>	<u>\$ 76,414.00</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 540,576.37	\$ 605,513.93	\$ 827,181.00	\$ 885,394.00	\$ 943,051.00	\$ 734,044.19
10.41%	10.41%	10.85%	10.43%	10.69%	10.41%

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Teachers Retirement System

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

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

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

Employees' Retirement System

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

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

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

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SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2015

SCHEDULE "6"

ASSETS

Cash and Cash Equivalents	\$	75,124,373.14
Investments		1,860.78
Accounts Receivable		
Federal Financial Assistance		15,032,174.54
Other		28,189,372.10
Prepaid Expenditures		1,273,490.81
Inventories		<u>338,505.01</u>
Total Assets		<u><u>119,959,776.38</u></u>

LIABILITIES AND FUND EQUITY

<u>Liabilities</u>		
Accrued Payroll	\$	1,238,995.20
Encumbrances Payable		16,707,428.62
Accounts Payable		9,072,909.62
Deferred Revenue		26,315,444.13
Other Liabilities		<u>1,460,221.03</u>
Total Liabilities		<u>54,794,998.60</u>
<u>Fund Balances</u>		
<u>Reserved</u>		
Department Sales and Services		13,123,474.06
Indirect Cost Recoveries		34,687,262.45
Technology Fees		3,114,650.83
Restricted/Sponsored Funds		1,505,850.20
Uncollectible Accounts Receivable		4,173,903.42
Tuition Carry-Over		6,727,590.35
Inventories		349,138.76
Carry-Over "Per State Accounting Office"		1,200,000.00
<u>Unreserved</u>		
Surplus		<u>282,907.71</u>
Total Fund Balances		<u>65,164,777.78</u>
Total Liabilities and Fund Balances	\$	<u><u>119,959,776.38</u></u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 187,839,221.00	\$ 187,839,221.00	\$ 0.00
Other Funds	595,399,111.00	470,889,100.22	-124,510,010.78
Total Revenues	783,238,332.00	658,728,321.22	-124,510,010.78
<u>ADJUSTMENTS AND PROGRAM TRANSFERS</u>	0.00	989,778.00	989,778.00
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	55,211,567.02	55,211,567.02
Total Funds Available	783,238,332.00	714,929,666.24	-68,308,665.76
<u>EXPENDITURES</u>			
Special Funding Initiatives	175,000.00	175,000.00	0.00
Teaching	783,063,332.00	653,368,592.86	129,694,739.14
Total Expenditures	783,238,332.00	653,543,592.86	129,694,739.14
Excess of Funds Available over Expenditures	\$ 0.00	61,386,073.38	\$ 61,386,073.38
<u>FUND BALANCE JULY 1</u>			
Reserved		58,940,817.17	
Unreserved		90,631.13	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		1,230,637.82	
Prior Year Receivables/Revenues		-1,181,183.57	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-90,631.13	
Prior Year Reserved Fund Balance Included in Funds Available		-55,211,567.02	
<u>FUND BALANCE JUNE 30</u>		\$ 65,164,777.78	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	13,123,474.06	
Indirect Cost Recoveries		34,687,262.45	
Technology Fees		3,114,650.83	
Restricted/Sponsored Funds		1,505,850.20	
Uncollectible Accounts Receivable		4,173,903.42	
Tuition Carry-Over		6,727,590.35	
Inventories		349,138.76	
Carry-Over "Per State Accounting Office"		1,200,000.00	
Total Reserved		64,881,870.07	
Unreserved			
Surplus		282,907.71	
Total Fund Balance	\$	65,164,777.78	

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA STATE UNIVERSITY
 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
 (NON-GAAP BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2015

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Special Funding Initiatives				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 175,000.00	\$ 175,000.00
Teaching				
State Appropriation				
State General Funds	188,347,396.00	188,347,396.00	187,664,221.00	187,664,221.00
Other Funds	455,216,064.00	455,216,064.00	595,399,111.00	470,889,100.22
Total Teaching	643,563,460.00	643,563,460.00	783,063,332.00	658,553,321.22
 Total Operating Activity	 \$ 643,563,460.00	 \$ 643,563,460.00	 \$ 783,238,332.00	 \$ 658,728,321.22

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	
\$ 0.00	\$ 0.00	\$ 175,000.00	\$ 0.00	\$ 175,000.00	\$ 0.00	\$ 0.00
0.00	0.00	187,664,221.00	0.00	187,664,221.00	0.00	0.00
<u>55,211,567.02</u>	<u>989,778.00</u>	<u>527,090,445.24</u>	<u>-68,308,665.76</u>	<u>465,704,371.86</u>	<u>129,694,739.14</u>	<u>61,386,073.38</u>
<u>55,211,567.02</u>	<u>989,778.00</u>	<u>714,754,666.24</u>	<u>-68,308,665.76</u>	<u>653,368,592.86</u>	<u>129,694,739.14</u>	<u>61,386,073.38</u>
<u>\$ 55,211,567.02</u>	<u>\$ 989,778.00</u>	<u>\$ 714,929,666.24</u>	<u>\$ -68,308,665.76</u>	<u>\$ 653,543,592.86</u>	<u>\$ 129,694,739.14</u>	<u>\$ 61,386,073.38</u>

GEORGIA STATE UNIVERSITY
 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
 (NON-GAAP BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2015

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2014 Surplus	Prior Period Adjustments
Special Funding Initiatives				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Teaching				
State Appropriation				
State General Funds	59,446.05	0.00	-59,446.05	256,158.89
Other Funds	55,242,752.10	-55,211,567.02	-31,185.08	-206,704.64
Total Teaching	55,302,198.15	-55,211,567.02	-90,631.13	49,454.25
Total Operating Activity	55,302,198.15	-55,211,567.02	-90,631.13	49,454.25
Prior Year Reserves				
Not Available for Expenditure				
Inventories	339,634.35	0.00	0.00	0.00
Uncollectible Accounts Receivable	3,389,615.80	0.00	0.00	0.00
Budget Unit Totals	\$ 59,031,448.30	\$ -55,211,567.02	\$ -90,631.13	\$ 49,454.25

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Other Adjustments	Early Return Fiscal Year 2015 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	256,158.89	0.00	256,158.89	256,158.89
-793,792.03	0.00	61,386,073.38	60,385,576.71	60,358,827.89	26,748.82	60,385,576.71
-793,792.03	0.00	61,386,073.38	60,641,735.60	60,358,827.89	282,907.71	60,641,735.60
-793,792.03	0.00	61,386,073.38	60,641,735.60	60,358,827.89	282,907.71	60,641,735.60
9,504.41		0.00	349,138.76	349,138.76	0.00	349,138.76
784,287.62	0.00	0.00	4,173,903.42	4,173,903.42	0.00	4,173,903.42
\$ 0.00	\$ 0.00	\$ 61,386,073.38	\$ 65,164,777.78	\$ 64,881,870.07	\$ 282,907.71	\$ 65,164,777.78

Summary of Ending Fund Balance

Reserved

Department Sales and Services	\$ 13,123,474.06	\$ 13,123,474.06
Indirect Cost Recoveries	34,687,262.45	34,687,262.45
Technology Fees	3,114,650.83	3,114,650.83
Restricted/Sponsored Funds	1,505,850.20	1,505,850.20
Uncollectible Accounts Receivable	4,173,903.42	4,173,903.42
Tuition Carry-Over	6,727,590.35	6,727,590.35
Inventories	349,138.76	349,138.76
Carry-Over "Per the State Accounting Office"	1,200,000.00	1,200,000.00

Unreserved

Surplus	\$ 282,907.71	282,907.71
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Total Ending Fund Balance - June 30	\$ 64,881,870.07	\$ 282,907.71	\$ 65,164,777.78
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GEORGIA STATE UNIVERSITY
RECONCILIATION OF BUDGET TO GAAP
YEAR ENDED JUNE 30, 2015

SCHEDULE "10"

Presented below is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 6, to Net Position of business-type activities, as reported on Exhibit A.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "6") \$ 65,164,777.78

Amounts reported for Business-Type Activities in the Statement of Net Position are different because:

Capital Assets used in Business-Type Activities are not reported in the Budget Fund. 752,498,920.00

Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Position. -4,173,903.42

Subscription services are reported as prepaid items on the Statement of Net Position but are reported as expenditures in the Budget Fund. 3,169,270.19

Certain obligations are reported as accounts receivable in the Statement of Net Position but are not recognized as revenues in the Budget Fund. -455,551.00

Certain obligations are reported as other assets on the Statement of Net Position but are not recognized as revenues in the Budget Fund 1,554.46

Certain obligations are reported as deferred revenue in the Budget Fund but are recognized as revenues on the Statement of Net Assets. 698,727.10

Certain obligations are reported as other liabilities in the Budget Fund but are recognized as expenditures on the Statement of Net Assets. 428,635.95

Funds placed on deposit with the Georgia State Financing and Investment Commission for use in capital outlay projects are reported as an outlay in the Budget Fund, but are included as a prepaid item on the Statement of Net Position. 7,236,718.21

Agency Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 12,026,093.90	
Liabilities	-12,026,093.90	
Total Net Effect of Agency Fund Activity		0.00

Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 59,964,906.24	
Liabilities	-6,703,029.88	
Total Net Effect of Auxiliary Enterprises Fund Activity		53,261,876.36

Endowment Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 65,551.06	
Liabilities	0.00	
Total Net Effect of Endowment Fund Activity		65,551.06

Loan Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 6,667,386.33	
Liabilities	-46,591.45	
Total Net Effect of Loan Fund Activity		6,620,794.88

Student Activities Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 32,144,469.67	
Liabilities	-1,037,541.08	
Total Net Effect of Student Activity Fund Activity		31,106,928.59

The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Position.

Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting.	\$ 16,707,428.62	
Payables for goods and services provided in the current fiscal year reported in the Budget Fund as encumbrances payable are reported as accounts payable for GAAP reporting.	-6,066,769.26	
Reimbursement from grantors reported as revenues in the Budget Fund that are for expenditures based on encumbrances are deferred for GAAP reporting.	-7,573,248.67	
Total Net Effect of Encumbrance Activity		3,067,410.69

GEORGIA STATE UNIVERSITY
 RECONCILIATION OF BUDGET TO GAAP
 YEAR ENDED JUNE 30, 2015

SCHEDULE "10"

Certain Liabilities and Deferred Inflows of Resources are not due and payable in the current period and therefore are not reported in the Budget Fund.	
Capital Leases Payable	\$ -203,253,782.01
Compensated Absences Payable	-14,854,660.11
Retainage Payable	-1,560,443.00
Pension Liability and Deferred Inflow on Pension Plan	<u>-191,542,981.00</u>
Total Liabilities	\$ -411,211,866.12
Rounding	<u>-0.73</u>
Net Position of Business-Type Activities (Exhibit "A")	<u>\$ 507,479,844.00</u>

The supplementary information presented on Schedules 6,7,8 and 9 was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles. Presented on this schedule is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 6, to Net Position of business-type activities, as reported on Exhibit A.

GEORGIA STATE UNIVERSITY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2015

SCHEDULE "11"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 330,489,916.04	\$ 6,485,814.49
Accruals		
June 30, 2015	1,429,743.00	122,484.49
June 30, 2014	-1,177,861.00	-247,959.78
Compensated Absences		
June 30, 2015	13,799,033.97	
June 30, 2014	-12,533,011.34	
Federal Work Study Accruals		
June 30, 2015	-33,330.20	
June 30, 2014	18,894.35	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Albany State University		
Bruce Spratt	-4,750.00	
Armstrong Atlantic State University		
John R. Kraft	2,400.00	
Atlanta Metro State College		
Nicole D. Dukes	-4,200.00	
Jennifer P Miles-Brown	-6,300.00	
Mohammed Taha	-4,200.00	
Board of Regents, University System of Georgia		
Rachana Bhatt	10,000.00	
Curtis A Carver	7,535.50	
SRO Travel Coordinator	35,530.97	
Diane Kirkword	1,200.00	
Clayton College and State University		
Sheila J. Blanton	-4,200.00	
William Gruszka	-49,761.90	
Grace Nteff	4,521.30	
Terri Taylor	1,200.00	
Columbus State University		
Maria Gindhart	-700.00	
Georgia Gwinnett College		
Yu-Hsiu Lin	-17,600.00	
Shane R. Tomashot	-16,500.00	
Seung Yang	8,612.00	
Joshua L. Yoder	-16,500.00	
Georgia Institute of Technology		
Melton Alemdar	7,670.07	
Srinivas Aluru	500.00	
Carolyn F. Hawley	-2,000.00	
Tatianna Kozhanova	-11,998.35	
Taneisha Lee	4,036.88	
Georgia News Lab		
Katherine Keib	500.00	
Georgia Perimeter College		
Liana Artinian	-2,146.67	
Teach German	3,229.50	
Muhannad Mudabbir Husain	-4,200.00	
Davita McTush-Camp	-2,200.00	
Rachel S. Mirpour	-392.85	
Ronald B. Stark	-165,864.43	
Elina Stroevea	-8,871.42	
Melissa Rose Trussell	-2,202.00	
Danzhu Wang	-2,200.00	

GEORGIA STATE UNIVERSITY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2015

SCHEDULE "11"

	SALARIES	TRAVEL
Georgia Southern University		
Derek Larson	200.00	
Robert Szymanski	4,500.00	
Georgia State University		
Brian Williams	753.55	
Governors Office of Budget/Planning		
Sharon Hill	90,939.47	
Gwinnett College		
Jessica Estep	538.25	
Kennesaw State University		
Kimberly L. Cleveland	-275.00	
Timothy R. Flowers	-750.00	
Allen James Fromherz	-300.00	
Sara M. Landry	-2,142.00	
Pamela Longobardi	300.00	
Rachid Marsli	-3,400.00	
Sabrena R. Parton	-20,400.00	
Heather Pincock	2,000.00	
Jerry Sadre-Orafai	750.00	
Ruth Ann Stanford	-100.00	
Detmar Straub	-1,000.00	
Randy Stuart	12,080.00	
Christina West	-2,000.00	
Amanda Wolfe	6,459.00	
Stewart Ziff	-600.00	
Macon Georgia State College		
Jasmine N. Brown	-660.80	
Middle Georgia State College		
Jasmine N. Brown	-4,427.67	
Saint John's University		
Deepa Varadarajan	149,488.50	
Southern Polytechnic State University		
Prabha Padukka	-8,000.00	
Christina Scherrer	7,000.00	
United States Air Force Academy		
Emily Bloom	-52,664.69	
University of Georgia		
Dorothy M. Fragaszy	10,500.00	
Carla Lynn Tanguary	-580.00	
University of Michigan		
Heta Desai	-500.00	
Suranga Pathirannehelage	-500.00	
Ayush Shrestha	-500.00	
University of North Georgia		
Sharon Chalmers	4,563.30	
Elizabeth Combier	1,200.00	
Eman Maamoun	-21,750.00	
Tyler L. Nicholson	-400.00	
Casey Potts	3,767.75	
Christina West	-400.00	
University of West Georgia		
Karen Brown	10,000.00	
Denise Overfield	1,200.00	
Valdosta State University		
Iwan Elstak	3,229.50	
Rounding Variance	0.42	-0.20
	\$ 331,941,653.00	\$ 6,360,339.00

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

October 7, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable Mark P. Becker, President
Georgia State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Georgia State University as of and for the year ended June 30, 2015, and have issued our report thereon dated October 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Georgia State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Georgia State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Georgia State University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Georgia State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we have reported to management of Georgia State University in a separate letter dated October 7, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2015YB-10

SECTION III

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.