

GEORGIA STATE UNIVERSITY

Financial Report


For the Year Ended
June 30, 2012

Georgia State University

Atlanta, Georgia



President



Senior Vice President for Fiscal Affairs

GEORGIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FY 2012

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GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University is one of the 35 Universities 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 2012	1,221	32,022	28,374
Fiscal Year 2011	1,219	31,538	27,949
Fiscal Year 2010	1,168	30,427	26,970

Overview of the Financial Statements and Financial Analysis

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

Statement of Net Assets

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

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

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant and equipment owned by the University. The next

asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the University for any lawful purpose of the University.

Statement of Net Assets, Condensed

	<u>June 30, 2012</u>	<u>June 30, 2011 Restated</u>
Assets:		
Current Assets	\$ 193,743,348	\$ 179,771,399
Capital Assets, Net	814,108,726	749,917,821
Other Assets	<u>6,719,749</u>	<u>6,695,059</u>
Total Assets	<u>\$ 1,014,571,823</u>	<u>\$ 936,384,279</u>
Liabilities:		
Current Liabilities	\$ 67,770,158	\$ 67,708,583
Noncurrent Liabilities	<u>385,194,231</u>	<u>326,092,145</u>
Total Liabilities	<u>\$ 452,964,389</u>	<u>\$ 393,800,728</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	\$ 427,460,759	\$ 423,807,753
Restricted - Nonexpendable	52,941	51,828
Restricted - Expendable	10,319,053	16,820,064
Capital Projects	1,200,000	1,200,000
Unrestricted	<u>122,574,681</u>	<u>100,703,906</u>
Total Net Assets	<u>\$ 561,607,434</u>	<u>\$ 542,583,551</u>

The total assets increased by \$78,187,544 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$64,190,905 in the category of Capital Assets, Net., an increase in Cash of \$21,404,557 decrease in Receivables of \$7,554,791 and increase in Prepaids of \$122,660.

The total liabilities increased for the year by \$59,163,661 . The combination of the increase in total assets \$78,187,544 and the increase in total liabilities of \$59,163,661 yields an increase in total net assets of \$19,023,883 . The increase in total net assets is primarily in the category of Unrestricted Net Assets of \$21,870,775 , and decrease in Restricted Net Assets of \$6,499,898 and an increase in Invested in Capital Assets, Net of Debt, in the amount of \$3,653,006 .

Statement of Revenues, Expenses and Changes in Net Assets

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

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

	<u>June 30, 2012</u>	<u>June 30, 2011 Restated</u>
Operating Revenues	\$ 372,325,975	\$ 356,718,004
Operating Expenses	<u>570,268,001</u>	<u>566,331,132</u>
Operating Loss	\$(197,942,026)	\$(209,613,128)
Nonoperating Revenues and Expenses	<u>204,149,990</u>	<u>221,350,723</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	\$ 6,207,964	\$ 11,737,595
Other Revenues, Expenses, Gains or Losses	<u>12,815,919</u>	<u>28,674,617</u>
Increase in Net Assets	\$ 19,023,883	\$ 40,412,212
Net Assets at Beginning of Year, as Originally Reported	531,153,207	504,479,206
Prior Year Adjustments	<u>11,430,344</u>	<u>(2,307,867)</u>
Net Assets at Beginning of Year, Restated	<u>\$ 542,583,551</u>	<u>\$ 502,171,339</u>
Net Assets at End of Year	<u>\$ 561,607,434</u>	<u>\$ 542,583,551</u>

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

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u> Restated
Operating Revenue		
Tuition and Fees	\$ 214,959,743	\$ 212,353,618
Grants and Contracts	70,906,414	65,789,517
Sales and Services	20,481,458	16,961,988
Auxiliary	63,601,079	58,559,096
Other	<u>2,377,281</u>	<u>3,053,785</u>
Total Operating Revenue	<u>\$ 372,325,975</u>	<u>\$ 356,718,004</u>
Nonoperating Revenue		
State Appropriations	\$ 164,945,293	\$ 188,655,253
Grants and Contracts	60,724,223	62,186,377
Gifts	131,615	250,644
Investment Income	1,276,287	507,477
Other	<u>-</u>	<u>144,457</u>
Total Nonoperating Revenue	<u>\$ 227,077,418</u>	<u>\$ 251,744,208</u>
Capital Gifts and Grants		
State	\$ 12,699,013	\$ 28,068,414
Other Capital Gifts and Grants	<u>116,906</u>	<u>606,203</u>
Total Capital Gifts and Grants	<u>\$ 12,815,919</u>	<u>\$ 28,674,617</u>
Total Revenues	<u>\$ 612,219,312</u>	<u>\$ 637,136,829</u>

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u> Restated
Operating Expenses		
Instruction	\$ 199,291,596	\$ 192,486,406
Research	98,671,900	90,271,649
Public Service	19,982,529	28,636,609
Academic Support	65,059,945	65,992,543
Student Services	30,529,806	31,548,581
Institutional Support	30,679,081	27,658,267
Plant Operations and Maintenance	49,246,940	50,144,032
Scholarships and Fellowships	21,599,489	29,957,020
Auxiliary Enterprises	<u>55,206,715</u>	<u>49,636,025</u>
Total Operating Expenses	<u>\$ 570,268,001</u>	<u>\$ 566,331,132</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	\$ 21,862,158	\$ 30,393,485
Other	<u>1,065,270</u>	<u>-</u>
	<u>\$ 22,927,428</u>	<u>\$ 30,393,485</u>
Total Expenses	<u>\$ 593,195,429</u>	<u>\$ 596,724,617</u>

Operating revenues increased by \$15,607,971 or 4.4% in fiscal 2012. Tuition & Fees had an \$2,606,125 or 2.9% increase, revenues also increased in Grants and Contracts by \$5,116,897 or 7.8%, Auxiliary by \$5,041,983 or 8.6% and Sales and Services by \$3,519,470 or 3.6%.

The growth in Grants and Contracts resulted from expected growth in research which is part of the University's Strategic Plan. The growth in Tuition & Fees is due to the increase in student fees along with an increase in student enrollment and the growth in Auxiliary is attributed to the additional beds and meal plans for Piedmont North.

Nonoperating revenues decreased \$24,666,790 or 9.8% for the year primarily due to a decrease in State Appropriations of \$23,709,960 or 12.6% and a decrease in Student Financial Aid \$3,065,775 or 5.3% .

The compensation and employee benefits category increased by \$17,278,590 or 4.6% and primarily affected the Instruction and Research categories. The increase was largely due to the change in the recognition of summer semester salaries.

Utilities increased by \$161,507 or 1% during the past year. The increase was primarily associated with the increased electricity and water costs and an increase in usage at Piedmont North for the increased capacity.

Statement of Cash Flows

The final statement presented by the 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. 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 non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u> <u>Restated</u>
Cash Provided (used) By:		
Operating Activities	\$ (156,902,318)	\$ (192,864,167)
Non-capital Financing Activities	226,314,697	250,264,812
Capital and Related Financing Activities	(49,640,090)	(102,153,435)
Investing Activities	<u>1,220,543</u>	<u>552,833</u>
Net Change in Cash	\$ 20,992,832	\$ (44,199,957)
Cash, Beginning of Year	<u>109,817,201</u>	<u>154,017,158</u>
Cash, End of Year	<u>\$ 130,810,033</u>	<u>\$ 109,817,201</u>

Capital Assets

The University had six significant capital asset additions for facilities in fiscal year 2012. The acquisition of the SunTrust building and complex \$65,483,384, the improvements and additions to the Alpharetta Academic Facility \$2,153,312, the Piedmont North dining and kitchen \$3,553,054, the Piedmont North upgrades \$3,051,343, and the Outdoor Student Recreation building \$4,764,959. In addition, there was the land acquisition of the Wheat Street property \$3,726,847, planned for outdoor intramural fields.

Georgia State University also completed the Piedmont and Decatur Street Pedestrian Improvements in the amount of \$2,545,672.

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

Long Term Liabilities

Georgia State University had Long-Term Liabilities of \$398,800,894 of which \$13,606,663 was reflected as current liability at June 30, 2012.

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

Component Units

In compliance with GASB Statement No. 39, Georgia State University has included the financial statements and notes for all required component units for FY2012. The Georgia State University Foundation, Inc. had endowment and other investments of \$209 million, bonds payable of \$248 million and long term capital leases of \$3.8 million as of June 30, 2012. The Georgia State University Research Foundation had endowment and other

investments of \$4.2 million and bonds payable of \$89.5 million. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

Economic Outlook

The University anticipates the current fiscal year will be challenging with budget cuts on the horizon at the state level, but we will continue to maintain a close watch over resources providing the University with the flexibility to react to internal and external situations that may develop. The University's overall financial position is strong.

A handwritten signature in black ink, appearing to read "Mark P. Becker". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark P. Becker, President
Georgia State University

Statement of Net Assets

GEORGIA STATE UNIVERSITY STATEMENT OF NET ASSETS June 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 130,526,886
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	33,673,982
Receivables - Other	14,891,241
Due From Affiliated Organizations	11,293,290
Inventories (note 4)	253,068
Prepaid Items	3,104,881
Total Current Assets	<u>\$ 193,743,348</u>

Noncurrent Assets

Noncurrent Cash	\$ 283,147
Short-term Investments	52,941
Investments	1,904
Notes Receivable, net	6,381,757
Capital Assets, net (note 6)	814,108,726
Total Noncurrent Assets	<u>\$ 820,828,475</u>
TOTAL ASSETS	<u>\$ 1,014,571,823</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 20,315,681
Salaries Payable	947,737
Contracts Payable	486,038
Deferred Revenue (note 7)	30,941,367
Other Liabilities	141,194
Deposits Held for Other Organizations	1,331,478
Lease Purchase Obligations (current portion)	6,070,153
Compensated Absences (current portion)	7,536,510
Total Current Liabilities	<u>\$ 67,770,158</u>

Noncurrent Liabilities

Lease Purchase Obligations (noncurrent)	\$ 380,577,814
Compensated Absences (noncurrent)	4,616,417
Total Noncurrent Liabilities	<u>\$ 385,194,231</u>
TOTAL LIABILITIES	<u>\$ 452,964,389</u>

NET ASSETS

Invested in Capital Assets, net of related debt	\$ 427,460,759
Restricted for	
Nonexpendable	52,941
Expendable	10,319,053
Capital Projects	1,200,000
Unrestricted	122,574,681
TOTAL NET ASSETS	<u>\$ 561,607,434</u>

Statement of Revenues, Expenses and Changes in Net Assets

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

REVENUES

Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$ 263,658,594
Less: Scholarship Allowances	(48,698,851)
Grants and Contracts	
Federal	47,670,202
Federal Stimulus	1,761,827
State	4,819,067
Other	16,655,318
Sales and Services	20,481,458
Rents and Royalties	26,263
Auxiliary Enterprises	
Residence Halls	25,050,394
Bookstore	950,826
Food Services	5,682,768
Parking/Transportation	7,136,977
Health Services	2,411,677
Intercollegiate Athletics	18,009,334
Other Organizations	4,359,103
Other Operating Revenues	2,351,018
Total Operating Revenues	\$ 372,325,975

EXPENSES

Operating Expenses	
Salaries:	
Faculty	\$ 115,488,282
Staff	179,258,753
Employee Benefits	71,029,041
Other Personal Services	1,358,736
Travel	4,960,539
Scholarships and Fellowships	30,111,420
Utilities	15,981,914
Supplies and Other Services	113,210,721
Depreciation	38,868,595
Total Operating Expenses	\$ 570,268,001
Operating Income (loss)	\$ (197,942,026)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$ 164,945,293
Grants and Contracts	
Federal	55,200,936
Federal Stimulus	184,417
Other	5,338,870
Gifts	131,615
Investment Income (endowments, auxiliary and other)	1,276,287
Interest Expense (capital assets)	(21,862,158)
Other Nonoperating Revenues (Expenses)	(1,065,270)
Net Nonoperating Revenues	\$ 204,149,990
Income before other revenues, expenses, gains, or loss	\$ 6,207,964
Capital Grants and Gifts	
State	12,699,013
Other	116,906
Total Other Revenues	\$ 12,815,919
Increase in Net Assets	\$ 19,023,883

NET ASSETS

Net Assets-beginning of year, as originally reported	\$ 531,153,207
Prior Year Adjustments	11,430,344
Net Assets-beginning of year, restated	542,583,551
Net Assets-End of Year	\$ 561,607,434

Statement of Cash Flows

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

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 216,234,543
Grants and Contracts (Exchange)	76,990,172
Sales and Services	20,481,458
Payments to Suppliers	(201,927,731)
Payments to Employees	(304,592,411)
Payments for Scholarships and Fellowships	(30,111,420)
Loans Issued to Students and Employees	(10,015,139)
Collection of Loans to Students and Employees	9,579,828
Auxiliary Enterprise Charges:	
Residence Halls	24,704,292
Bookstore	961,963
Food Services	5,718,936
Parking/Transportation	6,851,409
Health Services	2,644,545
Intercollegiate Athletics	18,745,994
Other Organizations	4,465,762
Other Receipts (payments)	2,365,481
Net Cash Provided (used) by Operating Activities	<u>\$ (156,902,318)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	\$ 164,945,293
Agency Funds Transactions	48,118
Gifts and Grants Received for Other Than Capital Purposes	61,321,286
Net Cash Flows Provided by Non-capital Financing Activities	<u>\$ 226,314,697</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Gifts and Grants Received	\$ 15,331,506
Proceeds from Sale of Capital Assets	37,023
Purchases of Capital Assets	(37,441,401)
Principal Paid on Capital Debt and Leases	(5,705,060)
Interest Paid on Capital Debt and Leases	(21,862,158)
Net Cash used by Capital and Related Financing Activities	<u>\$ (49,640,090)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	\$ 1,151
Interest on Investments	1,276,287
Purchase of Investments	(56,895)
Net Cash Provided (used) by Investing Activities	<u>\$ 1,220,543</u>
Net Increase/Decrease in Cash	20,992,832
Cash and Cash Equivalents - Beginning of year	109,817,201
Cash and Cash Equivalents - End of Year	<u>\$ 130,810,033</u>

Statement of Cash Flows, Continued

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

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

Operating Income (loss)	\$ (197,942,026)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	38,868,595
Change in Assets and Liabilities:	
Receivables, net	3,900,764
Inventories	476
Other Assets	
Prepaid Items	(122,661)
Notes Receivable, Net	(435,311)
Accounts Payable	(2,069,675)
Deferred Revenue	1,806,203
Other Liabilities	(458,528)
Compensated Absences	(450,155)
Net Cash Provided (used) by Operating Activities	<u>\$ (156,902,318)</u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$ 66,242,958</u>
Gift of capital assets reducing proceeds of capital gifts and grants	<u>\$ 203,497</u>

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Georgia State 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-five (35) State supported member Universities 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 University's budgets, the power to determine allotments of State funds to member University's and the authority to prescribe accounting systems and administrative policies for member University's. 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. Affiliated organizations are included in the reporting entity because of the significance of their operational or financial relationships with Georgia State University. For fiscal year 2012, Georgia State University Foundation, and the Georgia State University Research Foundation are presented as affiliated organizations. See Note 16, Affiliated Organizations, for supplemental information.

Financial Statement Presentation

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Investments

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

Accounts Receivable

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

Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2012, are recorded as prepaid items.

Noncurrent Cash and Investments

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 30 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2012, GSFIC did not transfer any capital additions to Georgia State University.

Deferred Revenues

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets. Georgia State University had accrued liability for compensated absences in the amount of \$12,603,083 as of July 1, 2011. For fiscal year 2012, \$9,396,885 was earned in compensated absences and employees were paid \$9,847,041 for a net decrease of \$450,156. The ending balance as of June 30, 2012 in accrued liability for compensated absences was \$12,152,927.

Noncurrent Liabilities

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

Net Assets

The University's net assets are classified as follows:

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

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

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

Expendable Restricted Net Assets include the following:

Restricted - E&G and Other Organized	
Activities	\$ 3,666,554
Federal Loans	6,537,020
Institutional Loans	<u>115,479</u>
Total Restricted Expendable	<u>\$ 10,319,053</u>

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended

state appropriations (surplus) of \$147,382.59. Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

R & R Reserve	\$ 13,433,808
Reserve for Encumbrances	33,289,620
Reserve for Inventory	212,926
Other Unrestricted	<u>75,638,327</u>
 Total Unrestricted Net Assets	 <u>\$ 122,574,681</u>

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

Income Taxes

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 Assets classify fiscal year activity as operating and non-operating according to the following criteria:

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

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

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

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

Scholarship Allowances

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

Change in Application of Accounting Principle

During fiscal year 2012, Georgia State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of revenues over expenses of \$23,979,596 for current year activity. Prior period net assets have also been restated by \$23,012,299 to properly reflect the effect of this change on beginning balances.

Restatement of Prior Year Net Assets

Georgia State University has a restatement of prior year net assets, increasing net assets by \$11,430,344 . This is due to a correction of four separate prior year misstatements. An adjustment to include a portion of prior year summer semester tuition and fees as recognized in the prior year resulted in an increase in prior year net assets of \$23,012,299. An adjustment to a prior year lease amortization schedule resulted in a decrease in prior year net assets and an increase in the lease liability of \$10,749,412. An adjustment to recognize prepaid salary and benefit expenses as expenditures of the prior year resulted in a decrease in prior year net assets of \$3,551,627. An adjustment to increase the University's accounts receivable from the Georgia State Finance and Investment Commission (GSFIC) resulted in an increase in prior year net assets of \$2,719,084. The adjustment to the prior year lease amortization was due to an error in the University's Commons residential housing complex's original amortization schedule. The correction of the schedule resulted in the restatement of prior year net assets. The correction to the GSFIC accounts receivable was due to errors in the prior year encumbrance adjustments. After posting the prior year restatement, the remaining balance in the GSFIC accounts receivable equals the amount necessary to reimburse the University for money expended but not reimbursed. The other two restatements were the result of a change in accounting principle. The University will no longer defer all of summer semester tuition and fees or record summer semester salary and benefit expenditures as prepaid. The University will now recognize all of the May semester and prorate the summer semester tuition and fees based on an allocation of 60% in the current year and 40% in the following year. The allocation was determined based on the number of summer semester days in each fiscal year.

Note 2. Deposits and Investments

Deposits

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

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

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

At June 30, 2012, the carrying value of deposits was \$7,357,121 and the bank balance was \$12,603,372 . Of the University's deposits, \$12,350,783 were uninsured. Of these uninsured deposits \$12,350,783 were 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, 2012, the carrying value of the University's investments was \$123,483,437, 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	\$ 70,034,524
Total Return Fund	54,845
Sub Total	<u>\$ 70,089,369</u>
Office of the State Treasurer	
Georgia Fund 1	\$ 53,394,068
Sub Total	<u>\$ 53,394,068</u>
Total Investment Pools	<u>\$ 123,483,437</u>

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

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 48 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University'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 .48 years. Of the University's total investment of \$70,034,425 in the Short Term Fund, \$64,215,356 is invested in debt securities.

The Effective Duration of the Total Return Fund is 2.93 years. Of the University's total investment of \$54,845 in the Total Return Fund, \$16,813 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.

The University's 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 AAA 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, 2012:

Student Tuition and Fees	\$ 8,184,740
Auxiliary Enterprises and Other Operating Activities	1,478,977
Federal Financial Assistance	33,673,982
Georgia State Financing and Investment Commission	2,582,718
Due from Affiliated Organizations	<u>16,669,043</u>
	\$ 62,589,460
Less: Allowance for Doubtful Accounts	<u>2,730,947</u>
Net Accounts Receivable	<u>\$ 59,858,513</u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2012:

Physical Plant	\$ 202,526
Other	<u>50,542</u>
Total	<u>\$ 253,068</u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2012. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2012, the allowance for uncollectible loans was approximately \$307,036 .

Note 6. Capital Assets

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

	Beginning Balances July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012
Capital Assets, Not Being Depreciated:				
Land	\$ 84,977,969	\$ 3,726,847		\$ 88,704,816
Capitalized Collections	217,089	4,004		221,093
Construction Work-in-Progress	23,759,502	22,461,146	\$ 30,482,789	15,737,859
Total Capital Assets Not Being Depreciated	\$ 108,954,560	\$ 26,191,997	\$30,482,789	\$ 104,663,768
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	\$ 15,796,092	\$ 332,040		\$ 16,128,132
Building and Building Improvements	751,242,676	92,746,241	\$ 807,447	843,181,470
Facilities and Other Improvements	5,425,599	2,546,372		7,971,971
Equipment	84,369,037	7,978,493	7,722,649	84,624,881
Capital Leases	1,806,626	535,549	205,098	2,137,077
Library Collections	123,786,040	3,831,603	920,640	126,697,003
Total Assets Being Depreciated/Amortized	\$ 982,426,070	\$ 107,970,298	\$ 9,655,834	\$ 1,080,740,534
Less: Accumulated Depreciation/Amortization				
Infrastructure	\$ 3,393,768	\$ 775,305		\$ 4,169,073
Buildings	188,564,976	24,818,120	\$ 723,953	212,659,143
Facilities and Other Improvements	999,838	372,330		1,372,168
Equipment	56,768,717	6,441,570	7,241,725	55,968,562
Capital Leases	897,967	396,556	149,510	1,145,013
Library Collections	90,837,543	6,064,714	920,640	95,981,617
Total Accumulated Depreciation/Amortization	\$ 341,462,809	\$ 38,868,595	\$ 9,035,828	\$ 371,295,576
Total Capital Assets, Being Depreciated/Amortized, Net	\$ 640,963,261	\$ 69,101,703	\$ 620,006	\$ 709,444,958
Capital Assets, Net	\$ 749,917,821	\$ 95,293,700	\$ 31,102,795	\$ 814,108,726

Note 7. Deferred Revenue

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

Prepaid Tuition and Fees	\$ 17,121,732
Research	7,006,768
Other Deferred Revenue	<u>6,812,867</u>
Totals	<u>\$ 30,941,367</u>

Note 8. Long Term Liabilities

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

	Beginning Balance July 1, 2011 Restated	Additions	Reductions	Ending Balance June 30, 2012	Current Portion
Leases					
Lease Obligations	<u>\$ 326,110,069</u>	<u>\$ 66,242,958</u>	<u>\$ 5,705,060</u>	<u>\$ 386,647,967</u>	<u>\$ 6,070,153</u>
Other Liabilities					
Compensated Absences	<u>\$ 12,603,083</u>	<u>\$ 9,396,885</u>	<u>\$ 9,847,041</u>	<u>\$ 12,152,927</u>	<u>\$ 7,536,510</u>
Total Long-Term Obligations	<u>\$ 338,713,152</u>	<u>\$ 75,639,843</u>	<u>\$ 15,552,101</u>	<u>\$ 398,800,894</u>	<u>\$ 13,606,663</u>

Note 9. Significant Commitments

The University had significant unearned, outstanding, property acquisitions, construction or renovation contracts executed in the amount of \$22,214,598 as of June 30, 2012. This amount is not reflected in the accompanying basic financial statements. The property acquisitions include the purchase of the Atlanta Life Building and 60 Piedmont Avenue. Both properties are scheduled to close in early fiscal year 2013.

Note 10. 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 2012 and fiscal year 2045. Expenditures for fiscal year 2012 were \$27.5 million of which \$21.9 million represented interest. Total

principal paid on capital leases was \$5.7 million for the fiscal year ended June 30, 2012. Interest rates range up to 8.3 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2012:

Description	Gross Amount	Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2012	Outstanding Balances per lease schedules at June 30, 2012
Buildings	\$ 412,740,451	\$ (44,619,960)	\$ 368,120,491	\$ 385,977,002
Infrastructure	3,893,311	(897,705)	2,995,606	-
Equipment	2,137,077	(1,145,013)	992,064	670,964
Total Assets Held Under Capital Lease at June 30, 2012	\$ 418,770,839	\$ (46,662,678)	\$ 372,108,161	\$ 386,647,966

Georgia State University has eight capital leases associated with buildings. In July 2001, Georgia State University entered into a capital lease valued at \$34,650,000 with an effective interest rate of 6.985 percent with the Georgia State University Foundation (Foundation), whereby the University leases the Student Recreation Center for a twenty-year period that began July 2001 and expires June 2021. In March 2000, the University entered into a capital lease valued at \$14,038,328 with an effective interest rate of 6.985 percent with the Foundation, whereby the University leases the Alpharetta Center for a twenty-year period that began March 2000 and expires February 2020. In January 2005, the University entered into a capital lease valued at \$39,965,234 with an effective interest rate of 7.362 percent with the Foundation, whereby the University leases the Lofts for a twenty-seven-year period that began January 2005 and expires August 2032. In August 2007, Georgia State University entered into a capital lease valued at \$161,330,000 for a new dormitory complex with an effective interest rate of 5.898 percent with the Foundation, whereby the University leases the University Commons for a thirty-three-year period that began August 2007 and expires June 2039. In December 2009, the University entered into a capital lease valued at \$1,041,646 with an effective interest rate of 6.937 percent with the Foundation, whereby the University leases the ground of the Rialto Center for a thirty-five-year period that began December 2009 and expires November 2044. In May 2010, the University entered into a capital lease valued at \$74,061,116 with an effective interest rate of 6.48 percent with the Georgia State University Research Foundation, whereby the University leases the Petit Science Center for a thirty-year period that began May 2010 and expires June 2039. In 2010, the University entered into a capital lease valued at \$17,964,110 with an effective interest rate of 6.055 percent with the USG Real Estate Foundation for the Freshman Housing building for a thirty-year period that began July 2010 and expires June 2040. In 2012, the University took possession of the SunTrust building and complex and began making lease payments under a capital lease originally entered into in June 2007 valued at \$65,483,384 with an effective interest rate of 8.314% with the Foundation, whereby the University leases the SunTrust building and complex for a thirty-year period that began June 2007 and expires June 2037. The outstanding principal liability at June 30, 2012 on these capital building leases is \$21,468,602, \$7,726,900, \$37,316,285, \$161,071,336, \$1,021,776, \$73,976,497, \$17,782,155, and \$65,613,453, respectively. The monthly

payments for these leases increase pursuant to a pre-agreed increase schedule or by the greater of 1.25 percent or the percentage change in CPI.

Georgia State University also has various capital leases for equipment with an outstanding balance at June 30, 2012 in the amount of \$670,963.

OPERATING LEASES

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2012 through 2019. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers and other small business equipment. 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 Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2012, were as follows:

	<u>Real Property and Equipment</u>	
	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2013	\$ 32,661,038	\$ 6,253,495
2014	33,060,939	2,585,255
2015	33,440,315	2,396,106
2016	33,729,867	2,211,174
2017	34,254,052	293,595
2018 through 2022	167,039,245	611,633
2023 through 2027	148,318,121	-
2028 through 2032	152,161,124	-
2033 through 2037	138,489,438	-
2038 through 2042	41,599,479	-
2040 through 2044	191,651	-
	<u>814,945,269</u>	<u>14,351,258</u>
Total minimum lease payments	\$ 814,945,269	\$ 14,351,258
Less: Interest	<u>428,297,302</u>	
Principal Outstanding	<u>\$ 386,647,967</u>	

Georgia State University's fiscal year 2012 expense for rental of real property and equipment under operating leases was \$6,097,338 .

Note 11. Retirement Plans

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

Employees' Retirement System of Georgia

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

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

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

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

provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, Georgia State University pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Georgia State University 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. Georgia State University is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Georgia State University contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2012 were based on the June 30, 2009 actuarial valuation as follows:

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

*6.88 exclusive of contributions paid by the employer on behalf of old plan members

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

Teachers Retirement System of Georgia

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

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

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

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

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

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

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	\$ 80,034	100%	\$ 12,718,066	100%
2011	\$ 56,274	100%	\$ 12,254,249	100%
2010	\$ 63,034	100%	\$ 11,491,233	100%

Regents Retirement Plan

Plan Description

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

Funding Policy

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

Georgia State University and the covered employees made the required contributions of \$11,057,039 (9.24%) and \$5,983,346 (5%), respectively.

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

Georgia Defined Contribution Plan

Plan Description

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 a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

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

Contributions

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

Total contributions made by employees during fiscal year 2012 amounted to \$709,215 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

Note 12. Risk Management

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

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

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. 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 13. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although 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, 2012.

Note 14. Post-Employment Benefits Other Than Pension Benefits

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

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The College pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2012 plan year, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2012, there were 1,271 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2012, Georgia State University recognized as incurred \$5,537,335 of expenditures, which was net of \$2,580,652 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

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

Natural Classification	Functional Classification					
	Fiscal Year 2012					
	Instruction	Research	Service	Support	Services	Support
Faculty	\$ 87,685,881	\$ 25,879,580	\$ 1,336,802	\$ 524,740	\$ 22,964	\$ 36,015
Staff	41,941,713	36,144,863	8,671,076	31,380,579	17,838,732	18,057,854
Benefits	37,047,292	8,627,944	2,370,875	8,159,116	4,314,136	3,989,816
Personal Services	147	1,250		526,789	350	828,368
Travel	1,951,968	1,370,060	470,332	665,613	283,624	142,875
Scholarships and Fellowships	4,520,281	793,692	1,419,190	25,880	565,401	1,236,643
Utilities	26,909	64,622	27,225	953,451	24,237	21,309
Supplies and Other Services	16,900,802	15,378,655	5,527,806	14,711,947	6,483,492	5,766,243
Depreciation	9,216,603	10,411,234	159,223	8,111,830	996,870	599,958
Total Expenses	\$ 199,291,596	\$ 98,671,900	\$ 19,982,529	\$ 65,059,945	\$ 30,529,806	\$ 30,679,081

Natural Classification	Functional Classification			
	Fiscal Year 2012			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	\$ 2,000		\$ 300	\$ 115,488,282
Staff	16,476,270	\$ 22,135	8,725,531	179,258,753
Benefits	4,499,309		2,020,553	71,029,041
Personal Services			1,832	1,358,736
Travel	23,521	1,007	51,539	4,960,539
Scholarships and Fellowships		21,550,333		30,111,420
Utilities	11,172,916		3,691,245	15,981,914
Supplies and Other Services	15,064,186	26,014	33,351,576	113,210,721
Depreciation	2,008,738		7,364,139	38,868,595
Total Expenses	\$ 49,246,940	\$ 21,599,489	\$ 55,206,715	\$ 570,268,001

Note 16. Affiliated Organizations

In accordance with GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, Georgia State University Foundation and the Georgia State Research Foundation have been determined to be legally separate, tax exempt organizations whose activities primarily support Georgia State University, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office has determined Component Units of the state of Georgia, as required by GASB Statement No. 39, should be assessed in relation to their significance to the State of Georgia. Accordingly, Georgia State University has not included financial activity for Georgia State University Foundation and Georgia State Research Foundation in these financial statements.

The Georgia State University Foundation and Georgia State University Research Foundation have been determined significant to the State of Georgia for the year ended June 30, 2012, and as such, are reported as discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant discretely presented component units issue separate audited financial statements that can be obtained from the Board of Regents of the University System of Georgia.