



Georgia State
University

2013

ANNUAL
FINANCIAL
REPORT

*for the Fiscal Year Ended June 30, 2013
(Including Independent Auditors' Report)*

GEORGIA STATE UNIVERSITY

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GEORGIA STATE UNIVERSITY

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

January 24, 2014

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

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, 2013.

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity 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, 2013, 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.

As described in Note 1 to the financial statements, in 2013, Georgia State University adopted new accounting guidance, GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the prior period financial statements have been restated to correct a misstatement. 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 vi 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 6) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information (Schedules 1 through 6) 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 January 24, 2014, on our consideration of Georgia State'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'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 31 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 2013	1,276	32,087	28,568
Fiscal Year 2012	1,221	32,022	28,374
Fiscal Year 2011	1,219	31,538	27,949

Overview of the Financial Statements and Financial Analysis

Georgia State University is pleased to present its financial statements for fiscal year 2013. 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 2013 and fiscal year 2012, as restated.

Statement of Net Position

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

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

Finally, the Statement of Net Position provides a picture of the net position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources) and their availability for expenditure by the institution. Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution. The next category is restricted, which is divided into three categories, nonexpendable, expendable and capital projects.

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

	June 30, 2013	June 30, 2012 (Restated)
Assets		
Current Assets	\$ 224,657,473	\$ 193,743,348
Capital Assets, Net	816,950,835	812,135,465
Other Assets	<u>7,023,440</u>	<u>6,719,749</u>
Total Assets	\$ <u>1,048,631,748</u>	\$ <u>1,012,598,562</u>
Liabilities		
Current Liabilities	\$ 81,522,526	\$ 67,770,158
Noncurrent Liabilities	<u>376,022,248</u>	<u>394,180,037</u>
Total Liabilities	\$ <u>457,544,774</u>	\$ <u>461,950,195</u>
Net Position		
Net Investment in Capital Assets	\$ 427,819,355	\$ 416,501,692
Restricted		
Nonexpendable	57,340	52,941
Expendable	20,915,361	10,319,053
Capital Projects	1,200,000	1,200,000
Unrestricted	<u>141,094,918</u>	<u>122,574,681</u>
Total Net Position	\$ <u>591,086,974</u>	\$ <u>550,648,367</u>

Total assets increased by \$36,033,186 which was primarily due to an increase of \$30,914,125 in the category of Current Assets. The balance of the increase is due mainly to an increase of \$52,327,936 in cash and a decrease of \$22,587,944 in receivables.

Total liabilities decreased for the year by \$4,405,421. The combination of the increase in total assets of \$36,033,186 and the decrease in total liabilities of \$4,405,421 yields an increase in net position of \$40,438,607. The increase in net position is primarily due to the increase in the category of Current Assets, in the amount of \$30,914,125.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the

Revenue by Source
For the Years Ended June 30, 2013 and June 30, 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u> (Restated)
Operating Revenue		
Tuition and Fees	\$ 225,375,296	\$ 214,959,743
Grants and Contracts	76,792,933	70,906,414
Sales and Services of Educational Departments	22,952,272	20,481,458
Auxiliary	70,552,589	63,601,079
Other	<u>2,495,466</u>	<u>2,377,281</u>
Total Operating Revenue	\$ <u>398,168,556</u>	\$ <u>372,325,975</u>
Nonoperating Revenue		
State Appropriations	\$ 178,932,830	\$ 164,945,293
Grants and Contracts	61,160,554	60,724,223
Gifts	4,889,999	131,615
Investment Income	<u>744,212</u>	<u>1,276,287</u>
Total Nonoperating Revenue	\$ <u>245,727,595</u>	\$ <u>227,077,418</u>
Capital Grants and Gifts		
State	\$ 13,778,117	\$ 12,699,013
Other	<u>421,035</u>	<u>116,906</u>
Total Capital Grants and Gifts	\$ <u>14,199,152</u>	\$ <u>12,815,919</u>
Total Revenues	\$ <u>658,095,303</u>	\$ <u>612,219,312</u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2013 and June 30, 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u> (Restated)
Operating Expenses		
Instruction	\$ 202,840,128	\$ 199,291,596
Research	105,397,920	98,671,900
Public Service	18,318,197	19,982,529
Academic Support	65,714,588	65,059,945
Student Services	33,445,932	30,529,806
Institutional Support	34,366,598	30,679,081
Plant Operations and Maintenance	52,029,806	46,583,021
Scholarships and Fellowships	23,798,241	21,599,489
Auxiliary Enterprises	<u>56,393,866</u>	<u>55,206,715</u>
Total Operating Expenses	\$ <u>592,305,276</u>	\$ <u>567,604,082</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	\$ 24,688,429	\$ 23,608,171
Other	<u>662,991</u>	<u>1,065,270</u>
Total Nonoperating Expenses	\$ <u>25,351,420</u>	\$ <u>24,673,441</u>
Total Expenses	\$ <u>617,656,696</u>	\$ <u>592,277,523</u>

Operating revenues increased by \$25,842,581 or 7% in fiscal year 2013. Tuition and Fees had a \$10,415,553 or 5% increase, revenues also increased in Grants and Contracts by \$5,886,519 or 8%, Auxiliary by \$6,951,510 or 11% and Sales and Services by \$2,470,814 or 12%.

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 and Fees is due to the increase in student fees along with an increase in student enrollment and the growth in Auxiliary is attributed to increased enrollment as well.

Nonoperating revenues increased by \$18,650,177 or 7% for the year primarily due to an increase in State Appropriations of \$13,987,537 or 8% and an increase in Gifts of \$4,758,384. The Gifts increase was related to a large gift for the new Law School building.

The compensation and employee benefits category increased by \$8,195,892 or 2% primarily in the area of Research.

Utilities increased by \$1,501,631 or 9% during the past year. The increase was primarily associated with increased electricity and water costs and the incorporation of the SunTrust building into campus.

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 institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from 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, 2013 and 2012, Condensed

	<u>June 30, 2013</u>	<u>June 30, 2012</u> (Restated)
Cash Provided (Used) By:		
Operating Activities	\$ -148,434,562	\$ -155,161,380
Noncapital Financing Activities	266,231,654	226,314,697
Capital and Related Financing Activities	-65,640,571	-51,381,028
Investing Activities	<u>739,833</u>	<u>1,220,543</u>
Net Change in Cash	\$ 52,896,354	\$ 20,992,832
Cash, Beginning of Year	<u>130,810,033</u>	<u>109,817,201</u>
Cash, End of Year	<u><u>\$ 183,706,387</u></u>	<u><u>\$ 130,810,033</u></u>

Capital Assets

The University had two significant capital asset additions for facilities in fiscal year 2013. The acquisition of the Atlanta Life Building for \$8,912,204 and the improvements and additions to the Piedmont North Upgrade for \$2,485,189.

Georgia State University also completed three major IT infrastructure projects. The IT Refresh Extreme Network Systems for \$2,436,245, the Fiber Optic for \$2,949,535, and the Data Center IT Upgrades for \$2,088,035.

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 \$392,497,725 of which \$16,475,477 was reflected as current liability at June 30, 2013.

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

Economic Outlook

The University anticipates the current fiscal year will be challenging with a flat budget projected 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.

Mark P. Becker, President
Georgia State University

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BASIC FINANCIAL STATEMENTS

GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "A"

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 182,854,822
Accounts Receivable, Net (Note 3)	
Receivables - Federal Financial Assistance	12,931,680
Receivables - Other	14,808,971
Due from Affiliated Organizations	9,529,918
Inventories (Note 4)	440,347
Prepaid Items	3,958,869
Other Assets	<u>132,866</u>
Total Current Assets	\$ <u>224,657,473</u>
Noncurrent Assets	
Noncurrent Cash	\$ 851,565
Short-Term Investments	57,340
Investments	1,884
Notes Receivable, Net	6,112,651
Capital Assets, Net (Note 6)	<u>816,950,835</u>
Total Noncurrent Assets	\$ <u>823,974,275</u>
Total Assets	\$ <u>1,048,631,748</u>
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 21,426,268
Salaries Payable	996,560
Contracts Payable	845,785
Deposits	17,267
Unearned Revenue (Note 7)	38,424,489
Other Liabilities	141,472
Deposits Held for Other Organizations	1,145,599
Lease Purchase Obligations	8,124,339
Compensated Absences	8,351,138
Due to Affiliated Organizations	<u>2,049,609</u>
Total Current Liabilities	\$ <u>81,522,526</u>
Noncurrent Liabilities	
Lease Purchase Obligations	\$ 371,549,455
Compensated Absences	<u>4,472,793</u>
Total Noncurrent Liabilities	\$ <u>376,022,248</u>
Total Liabilities	\$ <u>457,544,774</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 427,819,355
Restricted for:	
Nonexpendable	57,340
Expendable	20,915,361
Capital Projects	1,200,000
Unrestricted	<u>141,094,918</u>
Total Net Position	\$ <u><u>591,086,974</u></u>

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, 2013

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees	\$	277,344,750
Less: Scholarship Allowances		-51,969,454
Grants and Contracts		
Federal		54,298,083
Federal Stimulus		1,152,219
State		4,368,518
Other		16,974,113
Sales and Services		22,952,272
Rents and Royalties		33,643
Auxiliary Enterprises		
Residence Halls		27,435,328
Bookstore		909,259
Food Services		7,274,991
Parking/Transportation		8,379,616
Health Services		2,404,112
Intercollegiate Athletics		18,075,057
Other Organizations		6,074,226
Other Operating Revenues		<u>2,461,823</u>
 Total Operating Revenues	 \$	 <u>398,168,556</u>

OPERATING EXPENSES

Salaries		
Faculty	\$	115,015,273
Staff		184,974,021
Employee Benefits		73,982,674
Other Personal Services		1,214,663
Travel		5,446,616
Scholarships and Fellowships		32,077,327
Utilities		17,483,545
Supplies and Other Services		119,495,117
Depreciation		<u>42,616,040</u>
 Total Operating Expenses	 \$	 <u>592,305,276</u>
 Operating Income (Loss)	 \$	 <u>-194,136,720</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$	178,932,830
Grants and Contracts		
Federal		56,573,202
Other		4,587,352
Gifts		4,889,999
Investment Income		744,212
Interest Expense		-24,688,429
Other Nonoperating Expenses		<u>-662,991</u>
 Net Nonoperating Revenues (Expenses)	 \$	 <u>220,376,175</u>
 Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	 \$	 <u>26,239,455</u>
 Capital Grants and Gifts		
State	\$	13,778,117
Other		<u>421,035</u>
 Total Other Revenues, Expenses, Gains or Losses	 \$	 <u>14,199,152</u>
 Increase (Decrease) in Net Position	 \$	 40,438,607
 Net Position - Beginning of Year, Restated		 <u>550,648,367</u>
 Net Position - End of Year	 \$	 <u>591,086,974</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, 2013

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 222,818,131
Grants and Contracts	78,162,925
Sales and Services	22,952,272
Payments to Suppliers	-212,711,470
Payments to Employees	-299,111,211
Payments for Scholarships and Fellowships	-32,077,327
Loans Issued to Students and Employees	-1,710,664
Collection of Loans to Students and Employees	1,979,770
Auxiliary Enterprise Charges:	
Residence Halls	27,537,862
Bookstore	950,702
Food Services	7,310,364
Parking/Transportation	8,405,744
Health Services	2,048,085
Intercollegiate Athletics	17,271,608
Other Organizations	5,694,257
Other Receipts (Payments)	<u>2,044,390</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>-148,434,562</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	\$ 178,932,830
Agency Funds Transactions	21,457,640
Gifts and Grants Received for Other than Capital Purposes	<u>65,841,184</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	\$ <u>266,231,654</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	\$ 13,778,117
Proceeds from Sale of Capital Assets	545
Purchases of Capital Assets	-47,848,846
Principal Paid on Capital Debt and Leases	-6,881,958
Interest Paid on Capital Debt and Leases	<u>-24,688,429</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>-65,640,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	\$ 55,985
Interest on Investments	744,212
Purchase of Investments	<u>-60,364</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>739,833</u>
Net Increase (Decrease) in Cash	\$ 52,896,354
Cash and Cash Equivalents - Beginning of Year	<u>130,810,033</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>183,706,387</u></u>

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ -194,136,720
Adjustments to Reconcile Operating Income (loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	42,616,040
Change in Assets and Liabilities:	
Receivables, Net	1,560,426
Inventories	-187,279
Other Assets	-132,866
Prepaid Items	-853,988
Notes Receivable, Net	269,105
Accounts Payable	4,013,997
Unearned Revenue	-2,724,516
Other Liabilities	470,235
Compensated Absences	<u>671,004</u>

Net Cash Provided (Used) by Operating Activities \$ -148,434,562

NONCASH ACTIVITY

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$ <u>538,615</u>
Refinance of Capital Debt Resulting in a Decrease in Capital Lease Obligations	\$ <u>9,616,636</u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	\$ <u>421,035</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 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-one (31) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of 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. 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 2013, Georgia State University Foundation, and the Georgia State University Research Foundation are presented as affiliated organizations. See Note 17, Affiliated Organizations, for additional information.

Financial Statement Presentation

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

Basis of Accounting

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

New Accounting Pronouncements

In fiscal year 2013, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the University has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The University changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the University.

Cash and Cash Equivalents

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

Short-Term Investments

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

Investments

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

Accounts Receivable

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

Inventories

Consumable supplies 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, 2013, 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 Position.

Capital Assets

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

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

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2013, GSFIC did not transfer any capital additions to Georgia State University.

Unearned Revenues

Unearned 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. Unearned 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 Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Position. Georgia State University had accrued liability for compensated absences in the amount of \$12,152,927 as of July 1, 2012. For fiscal year 2013, \$9,804,444 was earned in compensated absences and employees were paid \$9,133,440, for a net increase of \$671,004. The ending balance as of June 30, 2013 in accrued liability for compensated absences was \$12,823,931.

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.

Service Concession Agreements

Georgia State University does not have any service concession agreements.

Net Position

The University's net position is classified as follows:

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

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

Expendable Restricted include the following at June 30, 2013:

Restricted - E&G and Other Organized Activities	\$	14,250,335
Federal Loans		6,581,388
Institutional Loans		<u>83,638</u>
 Total Restricted Expendable	 \$	 <u><u>20,915,361</u></u>

Restricted - 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: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus) of \$296,954.34. 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.

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EXHIBIT "D"

Unrestricted resources include the following items which are quasi-restricted by management at June 30, 2013:

R & R Reserve	\$	16,850,611
Reserve for Encumbrances		35,348,658
Reserve for Inventory		261,492
Other Unrestricted		<u>88,634,157</u>
 Total Unrestricted Net Position	 \$	 <u><u>141,094,918</u></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 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.

Restatement of Prior Year Net Position

Georgia State University has a restatement of prior year net position, decreasing net position by \$10,959,067. This is due to a correction of one prior year misstatement regarding work-in-progress as well as a change in accounting principle necessitating adjustments made to bring capital lease liabilities and related asset values consistent with the Georgia State University Foundation's asset values in accordance with GASB No. 61. An aggregate adjustment to work-in-process was made to increase net position by \$1,740,938 to correct an error made in its calculation in the prior year. An adjustment to align capital lease liabilities and asset values with the values stated by the Foundation in accordance with GASB No. 61 resulted in a decrease in prior year capital assets of \$4,637,180 and an increase in lease liability of \$8,985,806 for a net decrease of \$13,622,986 to net position. Additionally, an increase in net position and a decrease in accumulated depreciation of \$922,981 aligned the values with those stated by the Foundation in accordance with GASB No. 61.

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, 2013, the carrying value of deposits was \$31,513,098 and the bank balance was \$37,855,599. Of the University's deposits, \$37,602,240 were uninsured. Of these uninsured deposits, \$37,602,240 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

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Investments

At June 30, 2013, the carrying value of the University's investments was \$152,229,243, 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	\$ 69,857,841
Diversified Fund	<u>59,224</u>
	69,917,065
Office of the State Treasurer	
Georgia Fund 1	71,556,125
Georgia Extended Asset Pool	<u>10,756,053</u>
Total Investment Pools	<u><u>\$ 152,229,243</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, 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 AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 43 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was \$2.00 at June 30, 2013. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is .26 years.

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 .56 years. Of the University's total investment of \$69,857,841 in the Short-Term Fund, \$61,285,585 is invested in debt securities.

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The Effective Duration of the Diversified Fund is 5.43 years. Of the University's total investment of \$59,225 in the Diversified Fund, \$18,952 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. The Georgia Extended Asset Pool is an AA+ 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, 2013:

Student Tuition and Fees	\$	11,867,660
Auxiliary Enterprises and Other Operating Activities		1,878,266
Federal Financial Assistance		12,931,680
Georgia State Financing and Investment Commission		3,064,954
Due from Affiliated Organizations		10,455,400
	\$	40,197,960
Less Allowance for Doubtful Accounts		2,927,391
Net Accounts Receivable	\$	37,270,569

Note 4. Inventories

Inventories consisted of the following at June 30, 2013:

Physical Plant	\$	320,457
Other		119,890
Total Inventories	\$	440,347

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2013. 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, 2013, the allowance for uncollectible loans was approximately \$6,117.

GEORGIA STATE UNIVERSITY
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EXHIBIT "D"

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2013:

	Beginning Balance July 1, 2012 (Restated)	Additions	Reductions	Ending Balance June 30, 2013
Capital Assets, Not Being Depreciated:				
Land	\$ 88,704,816			\$ 88,704,816
Capitalized Collections	221,093	\$ 14,607	\$ 4,000	231,700
Construction Work-In-Progress	17,478,797	21,301,075	21,194,965	17,584,907
Total Capital Assets, Not Being Depreciated	\$ 106,404,706	\$ 21,315,682	\$ 21,198,965	\$ 106,521,423
Capital Assets, Being Depreciated:				
Infrastructure	\$ 16,128,132	\$ 10,699,322		\$ 26,827,454
Building and Building Improvements	838,544,290	20,236,690		858,780,980
Facilities and Other Improvements	7,971,971	1,172,710	\$ 82,670	9,062,011
Equipment	84,624,881	9,648,417	4,145,167	90,128,131
Capital Leases	2,137,077	538,615	826,575	1,849,117
Library Collections	126,697,003	6,751,772	834,205	132,614,570
Total Assets Being Depreciated	\$ 1,076,103,354	\$ 49,047,526	\$ 5,888,617	\$ 1,119,262,263
Less: Accumulated Depreciation:				
Infrastructure	\$ 4,169,073	\$ 1,167,090		\$ 5,336,163
Building and Building Improvements	211,736,162	25,828,828		237,564,990
Facilities and Other Improvements	1,372,168	396,293	\$ 74,403	1,694,058
Equipment	55,968,562	8,770,401	2,551,125	62,187,838
Capital Leases	1,145,013	380,030	696,051	828,992
Library Collections	95,981,617	6,073,398	834,205	101,220,810
Total Accumulated Depreciation	\$ 370,372,595	\$ 42,616,040	\$ 4,155,784	\$ 408,832,851
Total Capital Assets, Being Depreciated, Net	\$ 705,730,759	\$ 6,431,486	\$ 1,732,833	\$ 710,429,412
Capital Assets, Net	\$ 812,135,465	\$ 27,747,168	\$ 22,931,798	\$ 816,950,835

GEORGIA STATE UNIVERSITY
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EXHIBIT "D"

Note 7. Unearned revenue

Unearned revenue consisted of the following at June 30, 2013:

Prepaid Tuition and Fees	\$ 18,072,022
Research	6,263,913
Other Unearned Revenue	<u>14,088,554</u>
 Total Unearned Revenue	 <u>\$ 38,424,489</u>

Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012 (Restated)	Additions	Reductions	Ending Balance June 30, 2013	Current Portion
Leases					
Lease Obligations	\$ 395,633,773	\$ 538,615	\$ 16,498,594	\$ 379,673,794	\$ 8,124,339
Other Liabilities					
Compensated Absences	<u>12,152,927</u>	<u>9,804,444</u>	<u>9,133,440</u>	<u>12,823,931</u>	<u>8,351,138</u>
Total Long-Term Obligations	<u>\$ 407,786,700</u>	<u>\$ 10,343,059</u>	<u>\$ 25,632,034</u>	<u>\$ 392,497,725</u>	<u>\$ 16,475,477</u>

Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$23,888,974 as of June 30, 2013. This amount is not reflected in the accompanying basic financial statements.

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 it is also 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 2014 and fiscal year 2045. Expenditures for fiscal year 2013 were \$31.6 million of which \$24.7 million represented interest. Total principal paid on capital leases was \$6.9 million for the fiscal year ended June 30, 2013. Interest rates range up to 8.6 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2013:

GEORGIA STATE UNIVERSITY
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EXHIBIT "D"

<u>Description</u>	<u>Gross Amount</u> (+)	<u>Accumulated Depreciation</u> (-)	<u>Net Position Held Under Capital Lease at June 30, 2013</u> (=)	<u>Outstanding Balances per Lease Schedules at June 30, 2013</u>
Infrastructure	\$ 2,657,104	\$ 831,590	\$ 1,825,514	
Equipment	1,849,117	832,766	1,016,351	\$ 730,658
Buildings	41,088,341	11,151,708	29,936,633	37,568,075
Buildings - (PPV Only)	<u>367,014,930</u>	<u>42,286,526</u>	<u>324,728,404</u>	<u>341,375,061</u>
	<u>\$ 412,609,492</u>	<u>\$ 55,102,590</u>	<u>\$ 357,506,902</u>	<u>\$ 379,673,794</u>

Georgia State University has eight capital leases associated with buildings. In July 2001, Georgia State University entered into a capital lease valued at \$29,442,679 with a nominal interest rate of 8.575 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 \$11,500,373 with a nominal interest rate of 7.081 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 a nominal 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 \$150,525,574 for a new dormitory complex with a nominal interest rate of 4.392 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 a nominal 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 \$85,853,469 with a nominal interest rate of 5.378 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 \$16,109,603 with a nominal interest rate of 6.477 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 a nominal interest rate of 8.030 percent 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, 2013 on these capital building leases is \$19,615,781, \$6,310,520, \$36,554,996, \$149,629,872, \$1,013,079, \$84,484,460, \$16,337,154, and \$64,997,274, 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.

As of June 30, 2012, in accordance with GASB No. 61, Georgia State University restated the original principal capital lease amounts and interest rates for the Student Recreation Center, Alpharetta Center, University Commons, Petit Science Center and Freshman Housing capital leases to align the asset values with the asset values stated by the Foundation.

Georgia State University also has various capital leases for equipment with an outstanding principal balance at June 30, 2013 in the amount of \$730,658.

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EXHIBIT "D"

Operating Leases

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2014 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 Position include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2013, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2014	\$ 30,513,581	\$ 2,397,678
2015	30,898,029	2,208,529
2016	31,292,097	2,270,547
2017	31,667,464	325,945
2018	32,138,320	301,669
2019 - 2023	152,072,438	309,964
2024 - 2028	141,724,149	
2029 - 2033	142,124,459	
2034 - 2038	100,897,326	
2039 - 2043	9,228,669	
2044 - 2045	112,348	
Total Minimum Lease Payments	\$ 702,668,880	\$ <u>7,814,332</u>
Less: Interest	322,995,086	
Principal Outstanding	\$ 379,673,794	

Georgia State University's fiscal year 2013 expense for rental of real property and equipment under operating leases was \$6,263,957.

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 2013 were based on the June 30, 2010 actuarial valuation as follows:

Old Plan*	14.90%
New Plan	14.90%
GSEPS	11.54%

*10.15% 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

GEORGIA STATE UNIVERSITY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

EXHIBIT "D"

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. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. 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, 2013 were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010 actuarial valuation.

The following table summarizes the Georgia State University contributions by defined benefit plan for the years ending June 30, 2013, June 30, 2012, and June 30, 2011 (dollars in thousands):

Fiscal Year	ERS		TRS	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2013	\$ 88,841	100%	\$ 13,898,953	100%
2012	\$ 80,034	100%	\$ 12,718,066	100%
2011	\$ 56,274	100%	\$ 12,254,249	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 2013, 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 \$11,332,409 (9.24%) and \$6,774,358 (6%), 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 (GDCP) 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. GDCP 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 2013 amounted to \$706,726 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

Note 12. Risk Management

The University System of Georgia offers its employees and retirees access to four different self-insured healthcare plan options. For the University System of Georgia's Plan Year 2013, the following health care options were available:

- Blue Choice HMO plan
- (Blue Cross Blue Shield) HSA Open Access POS plan
- (Blue Cross Blue Shield) Open Access POS plan
- Kaiser Permanente HMO plan

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, 2013.

Note 14: 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 2013, the University paid Georgia Health Decisions \$199,840 for contract expenses and \$25,989 for reimbursement of travel expenditures and other expenses. All expenditures were funded through sponsored projects.

Note 15. Post-Employment Benefits Other Than Pension Benefits

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

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2013 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, 2013, there were 1,252 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2013, Georgia State University recognized as incurred \$6,101,273 of expenditures, which was net of \$2,824,395 of participant contributions.

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "D"

Note 16. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2013 are shown below:

<u>Natural Classification</u>	Functional Classification				
	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	\$ 88,452,483	\$ 24,848,484	\$ 1,206,523	\$ 457,035	\$ 55,548
Staff	43,058,108	38,338,905	8,895,208	31,371,793	18,565,008
Employee Benefits	39,588,264	8,619,325	2,410,635	8,138,928	4,448,054
Other Personal Services				444,942	
Travel	2,052,058	1,702,249	434,536	663,094	325,411
Scholarships and Fellowships	3,946,844	946,543	1,216,933	301	655,362
Utilities	19,667	52,627	15,124	685,431	33,749
Supplies and Other Services	15,886,393	19,685,988	3,972,425	15,357,832	8,312,581
Depreciation	9,836,311	11,203,799	166,813	8,595,232	1,050,219
Total Operating Expenses	<u>\$ 202,840,128</u>	<u>\$ 105,397,920</u>	<u>\$ 18,318,197</u>	<u>\$ 65,714,588</u>	<u>\$ 33,445,932</u>

<u>Natural Classification</u>	Functional Classification				
	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty				\$ -4,800	\$ 115,015,273
Staff	\$ 19,660,197	\$ 16,636,551	\$ 77,518	8,370,733	184,974,021
Employee Benefits	4,234,937	4,528,161	775	2,013,595	73,982,674
Other Personal Services	769,721				1,214,663
Travel	188,933	17,500		62,835	5,446,616
Scholarships and Fellowships	1,621,517		23,689,527	300	32,077,327
Utilities	541,281	13,123,698		3,011,968	17,483,545
Supplies and Other Services	6,785,429	15,052,347	30,421	34,411,701	119,495,117
Depreciation	564,583	2,671,549		8,527,534	42,616,040
Total Operating Expenses	<u>\$ 34,366,598</u>	<u>\$ 52,029,806</u>	<u>\$ 23,798,241</u>	<u>\$ 56,393,866</u>	<u>\$ 592,305,276</u>

Note 17. Affiliated Organizations

The Georgia State University Foundation and Georgia State University Research Foundation. are legally separate, tax exempt organizations whose activities primarily support Georgia State University. These affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* - an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of the affiliated organizations are not included in these financial statements. Copies of the financial statements for the affiliated organization may be obtained from Georgia State University.

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, 2013, and as such, are reported as blended/discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant blended/discretely presented component units issue separate audited financial statements that can be obtained from the Board of Regents of the University System of Georgia.

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SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2013

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$	99,599,129.33
Investments		1,883.92
Accounts Receivable		
Federal Financial Assistance		11,357,651.44
Other		20,256,974.60
Prepaid Expenditures		494,229.50
Inventories		<u>318,288.54</u>
Total Assets	\$	<u><u>132,028,157.33</u></u>

LIABILITIES AND FUND EQUITY

<u>Liabilities</u>		
Accrued Payroll	\$	889,372.73
Encumbrances Payable		37,148,669.90
Accounts Payable		3,476,038.37
Unearned Revenue		33,934,446.68
Other Liabilities		<u>458,812.32</u>
Total Liabilities	\$	<u><u>75,907,340.00</u></u>
<u>Fund Balances</u>		
<u>Reserved</u>		
Capital Outlay	\$	54,632.27
Department Sales and Services		9,496,774.27
Indirect Cost Recoveries		26,820,275.33
Technology Fees		4,501,230.35
Restricted/Sponsored Funds		4,716,671.08
Uncollectible Accounts Receivable		2,521,724.88
Inventories		261,492.03
Tuition Carry-Over		6,251,062.78
Carry-Over "Per State Accounting Office"		1,200,000.00
<u>Unreserved</u>		
Surplus		<u>296,954.34</u>
Total Fund Balances	\$	<u><u>56,120,817.33</u></u>
Total Liabilities and Fund Balances	\$	<u><u>132,028,157.33</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, 2013

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 179,080,213.00	\$ 179,080,213.00	\$ 0.00
Other Funds	541,364,253.00	429,587,516.14	-111,776,736.86
Total Revenues	\$ 720,444,466.00	\$ 608,667,729.14	\$ -111,776,736.86
<u>ADJUSTMENTS AND PROGRAM TRANSFERS</u>			
	0.00	25,233,074.98	25,233,074.98
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	44,379,006.73	44,379,006.73
Total Funds Available	\$ 720,444,466.00	\$ 678,279,810.85	\$ -42,164,655.15
<u>EXPENDITURES</u>			
Special Funding Initiative	\$ 145,850.00	\$ 145,850.00	\$ 0.00
Teaching	720,298,616.00	624,821,391.09	95,477,224.91
Total Expenditures	\$ 720,444,466.00	\$ 624,967,241.09	\$ 95,477,224.91
Excess of Funds Available over Expenditures	0.00	\$ 53,312,569.76	\$ 53,312,569.76
<u>FUND BALANCE JULY 1</u>			
Reserved		46,920,972.92	
Unreserved		147,382.59	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		1,241,513.15	
Prior Year Receivables/Revenues		-975,231.77	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2012		-147,382.59	
Prior Year Reserved Fund Balance Included in Funds Available		-44,379,006.73	
<u>FUND BALANCE JUNE 30</u>		\$ 56,120,817.33	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Capital Outlay	\$	54,632.27	
Department Sales and Services		9,496,774.27	
Indirect Cost Recoveries		26,820,275.33	
Technology Fees		4,501,230.35	
Restricted/Sponsored Funds		4,716,671.08	
Uncollectible Accounts Receivable		2,521,724.88	
Inventories		261,492.03	
Tuition Carry-Over		6,251,062.78	
Carry-Over "Per State Accounting Office"		1,200,000.00	
Total Reserved	\$	55,823,862.99	
Unreserved			
Surplus		296,954.34	
Total Fund Balance	\$	56,120,817.33	

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, 2013

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Special Funding Initiative				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 145,850.00	\$ 145,850.00
Teaching				
State Appropriation				
State General Funds	\$ 181,691,160.00	\$ 181,691,160.00	\$ 178,934,363.00	\$ 178,934,363.00
Other Funds	436,418,172.00	436,418,172.00	541,364,253.00	429,587,516.14
Total Teaching	\$ 618,109,332.00	\$ 618,109,332.00	\$ 720,298,616.00	\$ 608,521,879.14
 Total Operating Activity	 \$ 618,109,332.00	 \$ 618,109,332.00	 \$ 720,444,466.00	 \$ 608,667,729.14

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 (Deficiency) of Funds Available Over/(Under) Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
\$ 0.00	\$ 0.00	\$ 145,850.00	\$ 0.00	\$ 145,850.00	\$ 0.00	\$ 0.00
\$ 0.00	\$ 0.00	\$ 178,934,363.00	\$ 0.00	\$ 178,934,363.00	\$ 0.00	\$ 0.00
<u>44,379,006.73</u>	<u>25,233,074.98</u>	<u>499,199,597.85</u>	<u>-42,164,655.15</u>	<u>445,887,028.09</u>	<u>95,477,224.91</u>	<u>53,312,569.76</u>
\$ <u>44,379,006.73</u>	\$ <u>25,233,074.98</u>	\$ <u>678,133,960.85</u>	\$ <u>-42,164,655.15</u>	\$ <u>624,821,391.09</u>	\$ <u>95,477,224.91</u>	\$ <u>53,312,569.76</u>
\$ <u><u>44,379,006.73</u></u>	\$ <u><u>25,233,074.98</u></u>	\$ <u><u>678,279,810.85</u></u>	\$ <u><u>-42,164,655.15</u></u>	\$ <u><u>624,967,241.09</u></u>	\$ <u><u>95,477,224.91</u></u>	\$ <u><u>53,312,569.76</u></u>

GEORGIA STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2013

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2012 Surplus	Prior Period Adjustments
Special Funding Initiative				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Teaching				
State Appropriation				
State General Funds	\$ 84,734.03	\$ 0.00	\$ -84,734.03	\$ 256,182.36
Other Funds	44,441,655.29	-44,379,006.73	-62,648.56	10,099.02
Total Teaching	\$ 44,526,389.32	\$ -44,379,006.73	\$ -147,382.59	\$ 266,281.38
Total Operating Activity	\$ 44,526,389.32	\$ -44,379,006.73	\$ -147,382.59	\$ 266,281.38
Prior Year Reserves				
Not Available for Expenditure				
Inventories	212,926.19	0.00	0.00	0.00
Uncollectible Accounts Receivable	2,329,040.00	0.00	0.00	0.00
Budget Unit Totals	\$ 47,068,355.51	\$ -44,379,006.73	\$ -147,382.59	\$ 266,281.38

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 2013 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00	\$ 0.00	\$ 0.00	\$ 256,182.36	\$ 0.00	\$ 256,182.36	\$ 256,182.36
<u>-241,250.72</u>	<u>0.00</u>	<u>53,312,569.76</u>	<u>53,081,418.06</u>	<u>53,040,646.08</u>	<u>40,771.98</u>	<u>53,081,418.06</u>
\$ -241,250.72	\$ 0.00	\$ 53,312,569.76	\$ 53,337,600.42	\$ 53,040,646.08	\$ 296,954.34	\$ 53,337,600.42
\$ -241,250.72	\$ 0.00	\$ 53,312,569.76	\$ 53,337,600.42	\$ 53,040,646.08	\$ 296,954.34	\$ 53,337,600.42
48,565.84	0.00	0.00	261,492.03	261,492.03	0.00	261,492.03
<u>192,684.88</u>	<u>0.00</u>	<u>0.00</u>	<u>2,521,724.88</u>	<u>2,521,724.88</u>	<u>0.00</u>	<u>2,521,724.88</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 53,312,569.76</u>	<u>\$ 56,120,817.33</u>	<u>\$ 55,823,862.99</u>	<u>\$ 296,954.34</u>	<u>\$ 56,120,817.33</u>

Summary of Ending Fund Balance

Reserved

Capital Outlay	\$ 54,632.27	\$ 54,632.27
Department Sales and Services	9,496,774.27	9,496,774.27
Indirect Cost Recoveries	26,820,275.33	26,820,275.33
Technology Fees	4,501,230.35	4,501,230.35
Restricted/Sponsored Funds	4,716,671.08	4,716,671.08
Uncollectible Accounts Receivable	2,521,724.88	2,521,724.88
Inventories	261,492.03	261,492.03
Tuition Carry-Over	6,251,062.78	6,251,062.78
Carry-Over "Per State Accounting Office"	1,200,000.00	1,200,000.00
Unreserved		
Surplus	\$ 296,954.34	\$ 296,954.34
Total Ending Fund Balance - June 30	\$ 55,823,862.99	\$ 56,120,817.33

GEORGIA STATE UNIVERSITY
RECONCILIATION OF BUDGET TO GAAP
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1")	\$	56,120,817.33
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.		816,950,834.82
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.		-2,521,724.88
Subscription services are reported as prepaid items on the Statement of Net Position but are reported as expenditures in the Budget Fund.		2,664,809.13
Certain summer tuition and fees are reported as revenues for GAAP purposes but as unearned revenues in the Budget Fund.		10,522,772.50
Certain obligations are reported as accounts payable on the Statement of Net Position but are not recognized as expenditures in the Budget Fund.		-1,088,528.11
Certain obligations are reported as accounts receivable on the Statement of Net Position but are not recognized as revenues in the Budget Fund.		2,287,792.94
Certain obligations are reported as unearned revenue on the Statement of Net Position but are recognized as revenues in the Budget Fund.		-221,424.08
Certain obligations are reported as other liabilities on the Statement of Net Position but are recognized as expenditures and negative accounts receivable in the Budget Fund.		-583,258.22
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 investment on the Statement of Net Position.		10,756,053.34
Agency Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 11,143,468.57	
Liabilities	<u>-11,143,468.57</u>	
Total Net Effect of Agency Fund Activity		0.00
Remaining Auxiliary Enterprises Fund activities not previously adjusted and not reported as a component of the Budget Fund.		
Assets	\$ 40,624,123.42	
Liabilities	<u>-4,956,436.63</u>	
Total Net Effect of Remaining Auxiliary Enterprises Fund Activity		35,667,686.79
Endowment Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 57,339.66	
Liabilities	<u>0.00</u>	
Total Net Effect of Endowment Fund Activity		57,339.66
Loan Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 6,683,448.70	
Liabilities	<u>-18,422.27</u>	
Total Net Effect of Loan Fund Activity		6,665,026.43
Remaining Student Activities Fund activities not previously adjusted and not reported as a component of the Budget Fund.		
Assets	\$ 30,705,359.32	
Liabilities	<u>-1,000,320.34</u>	
Total Net Effect of Remaining Student Activity Fund Activity		29,705,038.98

GEORGIA STATE UNIVERSITY
 RECONCILIATION OF BUDGET TO GAAP
 YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

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.	\$ 37,148,669.90	
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.	-6,512,822.80	
Georgia State Financing and Investment activity reported as revenues in the Budget Fund to cover encumbrances reported as expenditures are eliminated for GAAP reporting	-3,349,512.57	
Total Net Effect of Encumbrance Activity	_____ \$ 27,286,334.53	
Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund.		
Capital Leases Payable	\$ -379,673,794.00	
Compensated Absences Payable	-12,823,931.00	
Contracts Payable	-845,785.00	
Deferred gain from refinancing of lease	-9,457,685.52	
Georgia State Financing and Investment payback bond balance	-381,401.68	
Total Liabilities	_____ -403,182,597.20	
Rounding Variance		_____ 0.04
Net Position of Business-Type Activities (Exhibit "A")		_____ \$ 591,086,974.00

The supplementary information presented on Schedules 1, 2, 3 and 4 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 1, to Net Position of business-type activities, as reported on Exhibit A.

GEORGIA STATE UNIVERSITY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2013

SCHEDULE "6"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 299,667,620.34	\$ 5,467,772.36
Accruals		
June 30, 2013	996,560.00	168,585.67
June 30, 2012	-947,737.00	-189,742.45
Federal Work Study Accruals		
June 30, 2013	-10,620.30	
June 30, 2012	11,929.93	
Compensated Absences		
June 30, 2013	11,912,615.74	
June 30, 2012	-11,289,295.99	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Albany State University		
Spratt, Bruce	-6,807.50	
Armstrong Atlantic State University		
Kraft, Dr. John	800.00	
Atlanta Metro State College		
Husain, Muhammad Mudabbir	-7,000.00	
Clayton College and State University		
Foster, Victoria	2,260.65	
Taylor-Hamrick, Terri	800.00	
Nteff, Grace	2,260.65	
Shaw, Sharon Jane	2,260.65	
Thrash, Shontellen	2,691.25	
Columbus State University		
Barzegar, Abbas	-1,000.00	
Emory University		
Crosson, Bruce	13,898.85	
Fort Valley State University		
Stark, Ron	-5,217.39	
Georgia College & State University		
Bubacz, Eric Charles	-3,512.50	
Farnell, Cynthia	-250.00	
Georgia Gwinnett College		
Jackson-Minot, Marquita	5,000.00	
Staaf, Christopher	2,000.00	
Tomashot, Shane R.	-23,100.00	
Georgia Health Sciences University		
Yu, Dr. Robert K.	500.00	
Georgia Institute of Technology		
Alemdar, Melton	9,229.50	
Bachman, Irma A.	-883.62	
Bennett, Nathan	-35,100.00	
Berry, Roberta M.	19,972.10	
Bobb, Kamau	5,382.50	
Ganeshan, Vridhagiri	-7,700.00	
Hawley, Carolyn	-4,000.00	
Lu, Dr. Jye Chyl	700.00	
Wilson, Deborah	-500.00	

GEORGIA STATE UNIVERSITY
 RECONCILIATION OF SALARIES AND TRAVEL
 YEAR ENDED JUNE 30, 2013

SCHEDULE "6"

	SALARIES	TRAVEL
Adjustments		
Shared Services on Jointly Staffed Personnel		
Georgia Perimeter College		
Artinian, Liana	\$ -2,200.00	
Greathouse, Candice	-5,413.67	
Holloway, Jason	-6,300.00	
Kreutzer, Cynthia D.	750.00	
Siler, John	750.00	
Shapiro, Michael B.	750.00	
Stark, Ronald B.	-204,000.00	
Georgia Southern University		
Brantley, Andra B.	-250.00	
Laster, Ronnie	7,000.00	
Gordon College		
Tillmane, Candace	4,521.30	
Kennesaw State University		
Bedard, Brandie	-3,150.00	
Bole, James Sanders	-500.00	
Bubacz, Eric Charles	-200.00	
Dee, Brian Michael	-14,500.00	
Donaldson, Justin	-4,800.00	
Ganeshan, Vridhagirl	-5,382.50	
Hedeem, Timonthy	300.00	
Kozhanova, Tatian	-1,883.88	
Macon State University		
Cantwell, Kevin	1,000.00	
North Georgia College and State University		
Caciula, Adrian	-40,000.00	
Combier, Dr. Elizabeth	800.00	
Stapleton, Michael	800.00	
University of Georgia		
Chen, Iirong	-14,152.17	
Jones, Gregory T.	-72,000.00	
Lofton, Diana	1,626.75	
Wallace, Dr. Isabelle Loring	400.00	
University System of Georgia		
Carver, Jr., Curtis A.	9,000.00	
Fuss, Kristi	4,044.09	
Kirkwood, Diane	800.00	
University of West Georgia		
Hodges, Dr. Charles	10,692.00	
Jett, Dr. Christopher	1,181.63	
Overfield, Denise	800.00	
Reynolds, Rebecca	3,552.00	
Valdosta State University		
Murphy, Rebecca	1,500.00	
Rounding Variance	0.59	\$ 0.42
	\$ 299,989,294.00	\$ 5,446,616.00

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

January 24, 2014

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, 2013, and have issued our report thereon dated January 24, 2014.

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 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*.

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
2013YB-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA STATE UNIVERSITY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-509-12-01

Previously Reported Corrective Action Plan Implemented

SECTION IV

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.