



GeorgiaState  
University®

# 2014

## ANNUAL FINANCIAL REPORT

*for the Fiscal Year Ended June 30, 2014  
(Including Independent Auditors' Report)*

GEORGIA STATE UNIVERSITY

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GEORGIA STATE UNIVERSITY

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FINANCIAL



## 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

March 5, 2015

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

### INDEPENDENT AUDITOR'S REPORT

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, 2014.

#### ***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, 2014, 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, 2014, 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 2014, Georgia State University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 March 5, 2015, on our consideration of Georgia State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Georgia State University's internal control over financial reporting and compliance.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin  
State Auditor

GSG:as  
14ARL-62

## 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 2014	1,363	32,165	28,801
Fiscal Year 2013	1,276	32,087	28,568
Fiscal Year 2012	1,221	32,022	28,374

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

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

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

The Statement of Net Position presents the assets, 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 two categories for fiscal year 2014, nonexpendable and expendable.

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

## Statement of Net Position, Condensed

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current Assets	\$ 250,214,019	\$ 224,657,473
Capital Assets, Net	810,457,161	816,950,835
Other Assets	<u>8,748,175</u>	<u>7,023,440</u>
<b>Total Assets</b>	<b>\$ <u>1,069,419,355</u></b>	<b>\$ <u>1,048,631,748</u></b>
<b>Liabilities</b>		
Current Liabilities	\$ 69,601,080	\$ 81,522,526
Noncurrent Liabilities	<u>367,336,063</u>	<u>376,022,248</u>
<b>Total Liabilities</b>	<b>\$ <u>436,937,143</u></b>	<b>\$ <u>457,544,774</u></b>
<b>Deferred Inflows of Resources</b>	<b>\$ <u>15,787,349</u></b>	
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 429,900,254	\$ 427,819,355
Restricted		
Nonexpendable	65,255	57,340
Expendable	17,977,070	20,915,361
Capital Projects		1,200,000
Unrestricted	<u>168,752,284</u>	<u>141,094,918</u>
<b>Total Net Position</b>	<b>\$ <u>616,694,863</u></b>	<b>\$ <u>591,086,974</u></b>

Total assets increased by \$20,787,607 which was primarily due to an increase of \$20,326,982 in the category of accounts receivable. The balance of the increase is mainly in Federal Financial Assistance.

Total liabilities and deferred inflows of resources decreased for the year by \$4,820,282. The combination of the increase in total assets and the decrease in total liabilities and deferred inflows of resources yields an increase in net position of \$25,607,889. The increase in net position is primarily in the category of unrestricted.

### ***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 institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Revenues	\$ 397,428,717	\$ 398,168,556
Operating Expenses	<u>615,502,290</u>	<u>592,305,276</u>
Operating Loss	\$ -218,073,573	\$ -194,136,720
Nonoperating Revenues and Expenses	<u>235,494,694</u>	<u>220,376,175</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ 17,421,121	\$ 26,239,455
Other Revenues, Expenses, Gains or Losses	<u>8,186,768</u>	<u>14,199,152</u>
Increase (Decrease) in Net Position	\$ <u>25,607,889</u>	\$ <u>40,438,607</u>
Net Position at Beginning of Year, as Originally Reported	\$ 591,086,974	\$ 561,607,434
Prior Year Adjustments	<u>                    </u>	<u>-10,959,067</u>
Net Position at Beginning of Year, Restated	\$ <u>591,086,974</u>	\$ <u>550,648,367</u>
Net Position at End of Year	\$ <u><u>616,694,863</u></u>	\$ <u><u>591,086,974</u></u>

The Statement of Revenues, Expenses and Changes in Net Position reflect a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Revenue		
Tuition and Fees	\$ 225,837,006	\$ 225,375,296
Grants and Contracts	77,109,511	76,792,933
Sales and Services of Educational Departments	21,471,077	22,952,272
Auxiliary	70,651,231	70,552,589
Other	<u>2,359,892</u>	<u>2,495,466</u>
Total Operating Revenue	\$ <u>397,428,717</u>	\$ <u>398,168,556</u>
Nonoperating Revenue		
State Appropriations	\$ 187,399,846	\$ 178,932,830
Grants and Contracts	63,370,493	61,160,554
Gifts	4,146,132	4,889,999
Investment Income	779,536	744,212
Other	<u>586,799</u>	<u></u>
Total Nonoperating Revenue	\$ <u>256,282,806</u>	\$ <u>245,727,595</u>
Capital Grants and Gifts		
State	\$ 8,143,768	\$ 13,778,117
Other	<u>43,000</u>	<u>421,035</u>
Total Capital Grants and Gifts	\$ <u>8,186,768</u>	\$ <u>14,199,152</u>
Total Revenues	\$ <u><u>661,898,291</u></u>	\$ <u><u>658,095,303</u></u>

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Expenses		
Instruction	\$ 200,788,390	\$ 202,840,128
Research	115,092,817	105,397,920
Public Service	17,688,107	18,318,197
Academic Support	69,382,730	65,714,588
Student Services	38,715,788	33,445,932
Institutional Support	36,161,684	34,366,598
Plant Operations and Maintenance	58,682,345	52,029,806
Scholarships and Fellowships	23,798,602	23,798,241
Auxiliary Enterprises	<u>55,191,827</u>	<u>56,393,866</u>
Total Operating Expenses	\$ <u>615,502,290</u>	\$ <u>592,305,276</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	\$ 20,788,112	\$ 24,688,429
Other	<u></u>	<u>662,991</u>
Total Nonoperating Expenses	\$ <u>20,788,112</u>	\$ <u>25,351,420</u>
Total Expenses	\$ <u><u>636,290,402</u></u>	\$ <u><u>617,656,696</u></u>

Operating revenues decreased by \$739,839 in fiscal year 2014. Although tuition and fees included a 0.20% increase, revenues decreased in sales and services and other categories.

The auxiliary revenue increase of \$98,642 is a result of increased residence hall occupancy and patronage of on campus dining facilities.

Nonoperating revenues increased \$10,555,211 for the year primarily due to an increase in State Appropriations.

The compensation and employee benefits category increased by \$12,664,992 and primarily affected the research category.

There was a small increase of \$4,406 in utilities during the past year.

### ***Statement of Cash Flows***

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash Provided (Used) By:		
Operating Activities	\$ -176,556,192	\$ -148,434,562
Noncapital Financing Activities	237,160,302	266,231,654
Capital and Related Financing Activities	-57,936,892	-65,640,571
Investing Activities	<u>771,720</u>	<u>739,833</u>
Net Change in Cash	\$ 3,438,938	\$ 52,896,354
Cash, Beginning of Year	<u>183,706,387</u>	<u>130,810,033</u>
Cash, End of Year	<u>\$ 187,145,325</u>	<u>\$ 183,706,387</u>

### ***Capital Assets***

The University had two significant capital asset additions for facilities in fiscal year 2014. The improvement and addition to 100 Auburn Ave. for \$6.8 million and the Alpharetta Facility addition for \$2.6 million.

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 \$385,002,213 of which \$17,666,150 was reflected as current liability at June 30, 2014.

For additional information concerning long-term liabilities, see Notes 1, 8 and 10 in the Notes to the Financial Statements.

### ***Economic Outlook***

The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate an increase in Net Position. The University anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

Mark P. Becker, President  
Georgia State University

## BASIC FINANCIAL STATEMENTS

GEORGIA STATE UNIVERSITY  
STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 187,054,580
Accounts Receivable, Net (Note 3)	
Receivables - Federal Financial Assistance	34,357,869
Receivables - Other	12,063,563
Due from Affiliated Organizations	11,176,119
Inventories (Note 4)	410,506
Prepaid Items	4,930,027
Other Assets	221,355
	<hr/>
Total Current Assets	250,214,019
	<hr/>
Noncurrent Assets	
Noncurrent Cash	90,745
Short-Term Investments	65,255
Investments (Externally Restricted)	1,783
Due from USO - Capital Liability Reserve Fund	2,012,803
Notes Receivable, Net	6,577,589
Capital Assets, Net (Note 6)	810,457,161
	<hr/>
Total Noncurrent Assets	819,205,336
	<hr/>
Total Assets	1,069,419,355
	<hr/>

LIABILITIES

Current Liabilities	
Accounts Payable	24,030,638
Salaries Payable	1,177,861
Retainages Payable	347,894
Deposits	14,510
Advances (Including Tuition and Fees) (Note 7)	24,708,413
Other Liabilities	120,746
Deposits Held for Other Organizations	1,273,462
Lease Purchase Obligations	9,279,083
Compensated Absences	8,387,067
Due to Affiliated Organizations	261,406
	<hr/>
Total Current Liabilities	69,601,080
	<hr/>
Noncurrent Liabilities	
Lease Purchase Obligations	362,231,343
Compensated Absences	5,104,720
	<hr/>
Total Noncurrent Liabilities	367,336,063
	<hr/>
Total Liabilities	436,937,143
	<hr/>
Deferred Inflows of Resources	
Deferred Gain on Debt Refunding	9,046,482
Deferred Grants	6,740,867
	<hr/>
Total Deferred Inflows of Resources	15,787,349
	<hr/>

NET POSITION

Net Investment in Capital Assets	429,900,254
Restricted for:	
Nonexpendable	65,255
Expendable	17,977,070
Unrestricted	168,752,284
	<hr/>
Total Net Position	\$ 616,694,863
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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, 2014

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	\$ 278,617,071
Less: Scholarship Allowances	-52,780,065
Grants and Contracts	
Federal	52,392,005
Federal Stimulus	1,032,102
State	6,101,999
Other	17,583,405
Sales and Services	21,471,077
Rents and Royalties	38,364
Auxiliary Enterprises	
Residence Halls	28,400,398
Bookstore	801,532
Food Services	8,019,200
Parking/Transportation	8,045,320
Health Services	2,371,312
Intercollegiate Athletics	17,747,844
Other Organizations	5,265,625
Other Operating Revenues	<u>2,321,528</u>
Total Operating Revenues	<u>397,428,717</u>

OPERATING EXPENSES

Salaries	
Faculty	116,771,106
Staff	192,057,367
Employee Benefits	77,808,487
Other Personal Services	1,638,340
Travel	6,070,120
Scholarships and Fellowships	30,393,572
Utilities	17,487,951
Supplies and Other Services	130,682,177
Depreciation	<u>42,593,170</u>
Total Operating Expenses	<u>615,502,290</u>
Operating Loss	<u>-218,073,573</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	187,399,846
Grants and Contracts	
Federal	58,791,704
Other	4,578,789
Gifts	4,146,132
Investment Income (Endowments, Auxiliary and Other)	779,536
Interest Expense (Capital Assets)	-20,788,112
Other Nonoperating Revenues	<u>586,799</u>
Net Nonoperating Revenues	<u>235,494,694</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>17,421,121</u>
Capital Grants and Gifts	
State	8,143,768
Other	<u>43,000</u>
Total Other Revenues, Expenses, Gains or Losses	<u>8,186,768</u>
Increase in Net Position	25,607,889
Net Position - Beginning of Year	<u>591,086,974</u>
Net Position - End of Year	<u>\$ 616,694,863</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, 2014

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 230,031,481
Grants and Contracts (Exchange)	72,718,322
Sales and Services	21,471,077
Payments to Suppliers	-234,195,965
Payments to Employees	-308,011,555
Payments for Scholarships and Fellowships	-30,441,118
Loans Issued to Students and Employees	-1,675,359
Collection of Loans to Students and Employees	1,210,421
Auxiliary Enterprise Charges:	
Residence Halls	27,581,337
Bookstore	861,590
Food Services	8,076,693
Parking/Transportation	8,238,365
Health Services	2,776,955
Intercollegiate Athletics	17,769,147
Other Organizations	4,656,173
Other Receipts, Net	<u>2,376,244</u>
Net Cash Used by Operating Activities	<u>-176,556,192</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	187,399,846
Agency Funds Transactions	-17,756,169
Gifts and Grants Received for Other than Capital Purposes	<u>67,516,625</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>237,160,302</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	8,143,768
Purchases of Capital Assets	-36,268,342
Principal Paid on Capital Debt and Leases	-8,613,002
Interest Paid on Capital Debt and Leases	<u>-21,199,316</u>
Net Cash Used by Capital and Related Financing Activities	<u>-57,936,892</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	59,223
Interest on Investments	779,536
Purchase of Investments	<u>-67,039</u>
Net Cash Provided by Investing Activities	<u>771,720</u>

Net Increase in Cash 3,438,938

Cash and Cash Equivalents - Beginning of Year 183,706,387

Cash and Cash Equivalents - End of Year \$ 187,145,325

GEORGIA STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2014

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES:

Operating Loss	\$ -218,073,573
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	42,593,170
Change in Assets and Liabilities:	
Receivables, Net	-2,199,055
Inventories	29,841
Other Assets	-88,489
Prepaid Items	-971,363
Notes Receivable, Net	-464,938
Accounts Payable	700,872
Advances (Including Tuition and Fees)	1,574,178
Other Liabilities	-324,691
Compensated Absences	667,856
	<u>667,856</u>
Net Cash Used by Operating Activities	\$ <u>-176,556,192</u>

NONCASH ACTIVITY

Fixed Assets Acquired by Incurring Capital Lease Obligations	\$ <u>449,634</u>
Refinance of Capital Debt Resulting in a Decrease in Capital Lease Obligation	\$ <u>411,204</u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	\$ <u>43,000</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 (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. See Note 16 for additional information.

**Financial Statement Presentation**

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

**Basis of Accounting**

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

**New Accounting Pronouncements**

In fiscal year 2014, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement clarify the use of deferred inflows of resources and deferred outflows of resources. Certain items, including those items which were previously reported as assets and liabilities, will now be reported as outflows of resources or inflows of resources. As a result of this implementation, the University changed the classification of certain liabilities to deferred inflows of resources. As of June 30, 2014, the University did not have any deferred outflows of resources or deferred inflows of resources.

In fiscal year 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections - 2012, an amendment to GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance by amending GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 10 was amended by removing the provision that limited fund based reporting of an entity's risk and financing activities to certain funds. GASB Statement No. 62 was amended by modifying guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or a group of loans, and (3) recognition of servicing fees on mortgage loans that are sold when the stated service fee rate differs from a current (normal) servicing fee rate. The adoption of this statement does not have a significant impact on the University's financial statements.

In fiscal year 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and reporting requirements for state and local governments that extend or receive financial guarantees that are nonexchange transactions. The adoption of this statement does not have a significant impact on the University's financial statements.

#### **Future Accounting Pronouncements**

In fiscal year 2015, the University will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the University to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the University's liability, the effects of which are believed to be material.

#### **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 is 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, 2014, GSFIC did not transfer any capital additions to Georgia State University.

**Advances**

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

**Compensated Absences**

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

**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.

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**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, deferred outflows of resources and deferred inflows of resources related to those capital assets. To the extent debt has been incurred or deferred inflows of resources have been received 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 endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted – expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor, amount and date of donation, restrictions by the source of limitations and limitations on investments.

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

Expendable Restricted include the following at June 30, 2014:

Restricted - E&G and Other Organized Activities	\$ 11,328,404
Federal Loans	6,604,897
Institutional Loans	<u>43,769</u>
 Total Restricted Expendable	 \$ <u><u>17,977,070</u></u>

*Unrestricted:* Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of the State Treasurer. At June 30, 2014, the University had a surplus balance of \$90,631.13 to be refunded. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

R & R Reserve	\$ 20,810,367
Reserve for Encumbrances	59,514,262
Reserve for Inventory	339,634
Other Unrestricted	<u>88,088,021</u>
 Total Unrestricted Net Position	 \$ <u>168,752,284</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.



### **Capital Liability Reserve Fund**

In fiscal year 2014, the Board of Regents established a Capital Liability Reserve Fund (Fund) to protect the fiscal integrity of the University System of Georgia (USG), to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects, and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is funded by all USG institutions participating in the PPV program; contribution amounts are determined by the USG Chief Fiscal Officer. The Fund serves as a pooled reserve that is controlled and administered by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program. Georgia State University's contribution to the fund as of June 30, 2014 was \$2,012,803.

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

#### **Deposits**

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

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

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

At June 30, 2014, the carrying value of deposits was \$9,606,143 and the bank balance was \$14,166,276. Of the University's deposits, \$13,916,276 were uninsured. Of these uninsured deposits, \$13,916,276 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, 2014, the carrying value of the University's investments was \$177,581,800, 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	\$ 69,781,059
Diversified Fund	<u>67,039</u>
	69,848,098
Office of the State Treasurer	
Georgia Fund 1	<u>107,733,702</u>
Total Investment Pools	\$ <u><u>177,581,800</u></u>

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

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company and does not 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 62 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University'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 0.55 years. Of the University's total investment of \$69,781,059 in the Short-Term Fund, \$6,626,340 is invested in debt securities.

The Effective Duration of the Diversified Fund is 5.05 years. Of the University's total investment of \$67,039 in the Diversified Fund, \$20,399 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.

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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 AAf by Standard and Poor's. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. As previously stated, the Board of Regents Total Return Fund Investment is not rated.

***Note 3. Accounts Receivable***

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

Student Tuition and Fees	\$ 10,483,840
Auxiliary Enterprises and Other Operating Activities	1,455,519
Federal Financial Assistance	34,357,868
Georgia State Financing and Investment Commission	3,440,836
Due from Affiliated Organizations	11,176,119
Other	<u>429,921</u>
	61,344,103
Less Allowance for Doubtful Accounts	<u>3,746,552</u>
Net Accounts Receivable	<u><u>\$ 57,597,551</u></u>

***Note 4. Inventories***

Inventories consisted of the following at June 30, 2014:

Physical Plant	\$ 368,835
Other	<u>41,671</u>
Total Inventories	<u><u>\$ 410,506</u></u>

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

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2014. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2014, the allowance for uncollectible loans was approximately \$17,699.

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**Note 6. Capital Assets**

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

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 88,704,816			\$ 88,704,816
Capitalized Collections	231,700	\$ 43,000		274,700
Construction Work-In-Progress	17,584,907	22,869,140	\$ 27,113,172	13,340,875
Total Capital Assets, Not Being Depreciated	106,521,423	22,912,140	27,113,172	102,320,391
Capital Assets, Being Depreciated:				
Infrastructure	26,827,454	3,780,508		30,607,962
Building and Building Improvements	858,780,980	20,138,287	96,500	878,822,767
Facilities and Other Improvements	9,062,011	609,471	120,430	9,551,052
Equipment	90,128,131	8,823,038	2,595,337	96,355,832
Capital Leases	1,849,117	449,634	700,615	1,598,136
Library Collections	132,614,570	6,577,179	152,546	139,039,203
Total Assets Being Depreciated	1,119,262,263	40,378,117	3,665,428	1,155,974,952
Less: Accumulated Depreciation:				
Infrastructure	5,336,163	1,850,523		7,186,686
Building and Building Improvements	237,564,990	25,213,022	86,850	262,691,162
Facilities and Other Improvements	1,694,058	606,742	108,387	2,192,413
Equipment	62,187,838	8,452,538	2,654,541	67,985,835
Capital Leases	828,992	300,031	585,515	543,508
Library Collections	101,220,810	6,170,314	152,546	107,238,578
Total Accumulated Depreciation	408,832,851	42,593,170	3,587,839	447,838,182
Total Capital Assets, Being Depreciated, Net	710,429,412	-2,215,053	77,589	708,136,770
Capital Assets, Net	\$ 816,950,835	\$ 20,697,087	\$ 27,190,761	\$ 810,457,161

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

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

Prepaid Tuition and Fees	\$ 19,826,033
Other - Advances	4,882,380
Total Advances	\$ 24,708,413

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**Note 8. Long-Term Liabilities**

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

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Leases					
Lease Obligations	\$ 379,673,794	\$ 449,634	\$ 8,613,002	\$ 371,510,426	\$ 9,279,083
Other Liabilities					
Compensated Absences	12,823,931	10,186,116	9,518,260	13,491,787	8,387,067
Total Long-Term Obligations	<u>\$ 392,497,725</u>	<u>\$ 10,635,750</u>	<u>\$ 18,131,262</u>	<u>\$ 385,002,213</u>	<u>\$ 17,666,150</u>

**Note 9. Significant Commitments**

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$43,793,863 as of June 30, 2014. 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 also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

**CAPITAL LEASES**

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2045. Payments for fiscal year 2014 were \$29.4 million of which \$20.8 million represented interest. Total principal paid on capital leases was \$8.6 million for the fiscal year ended June 30, 2014. 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, 2014:

<u>Description</u>	<u>Gross Amount</u> (+)	<u>Accumulated Depreciation</u> (-)	<u>Net Position Held Under Capital Lease at June 30, 2014</u> (=)	<u>Outstanding Balances per Lease Schedules at June 30, 2014</u>
Infrastructure	\$ 2,657,104	\$ 960,687	\$ 1,696,417	
Equipment	1,598,135	543,507	1,054,628	\$ 737,566
Buildings	41,088,341	12,480,661	28,607,680	36,732,716
Buildings - (PPV Only)	367,014,930	50,546,855	316,468,075	334,040,144
	<u>\$ 412,358,510</u>	<u>\$ 64,531,710</u>	<u>\$ 347,826,800</u>	<u>\$ 371,510,426</u>

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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, 2014 on these capital building leases is \$17,964,888, \$5,668,462, \$35,728,956, \$146,951,706, \$1,003,760, \$82,617,307, \$16,111,317, and \$64,726,463, respectively. The monthly payments for these leases increase pursuant to a pre-agreed increase schedule or by the greater of 1.25 percent or the percentage change in CPI.

Georgia State University also has various capital leases for equipment with an outstanding balance at June 30, 2014 in the amount of \$786,505.

#### OPERATING LEASES

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2054. 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.

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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, 2014, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2015	\$ 30,879,975	\$ 6,210,674
2016	31,268,133	3,830,767
2017	31,577,544	1,864,350
2018	31,974,465	1,705,542
2019	32,160,920	442,681
2020 - 2024	146,746,001	663,580
2025 - 2029	141,198,405	663,580
2030 - 2034	137,644,433	663,580
2035 - 2039	81,056,201	663,580
2040 - 2044	1,710,272	663,580
2045 - 2049	33,045	663,580
2050 - 2054		663,581
Total Minimum Lease Payments	666,249,394	\$ <u>18,699,075</u>
Less: Interest	<u>294,738,968</u>	
Principal Outstanding	\$ <u>371,510,426</u>	

Georgia State University's fiscal year 2014 expense for rental of real property and equipment under operating leases was \$6,467,705.

***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 2014 were based on the June 30, 2011 actuarial valuation as follows:

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

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

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

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

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

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

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

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

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

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

Fiscal Year	ERS		TRS	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2014	\$ 105,058	100%	\$ 15,250,391	100%
2013	\$ 88,541	100%	\$ 13,898,953	100%
2012	\$ 80,034	100%	\$ 12,718,066	100%

### Regents Retirement Plan

#### Plan Description

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

#### Funding Policy

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 2014, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

Georgia State University and the covered employees made the required contributions of \$11,762,780 (9.24%) and \$7,638,095 (6%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

Georgia State University participates in the Georgia Defined Contribution Plan (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 2014 amounted to \$720,203 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

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

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

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

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

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. 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, 2014.

***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 2014, the University paid Georgia Health Decisions \$200,100 for contract expenses and \$8,615 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 2014 plan year, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2014, there were 1,150 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2014, Georgia State University recognized as incurred \$6,112,213 of expenditures, which was net of \$2,828,368 of participant contributions.

GEORGIA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 16. Natural Classifications with Functional Classifications**

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

<u>Natural Classification</u>	<u>Functional Classification</u>				
	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>
Salaries					
Faculty	\$ 86,691,562	\$ 28,322,440	\$ 1,144,793	\$ 474,509	\$ 137,802
Staff	44,812,458	40,837,072	9,004,351	31,507,092	20,059,752
Employee Benefits	42,396,334	9,271,501	2,678,330	8,789,445	5,115,164
Other Personal Services	343,802			422,296	
Travel	2,188,590	1,846,151	470,958	785,647	460,013
Scholarships and Fellowships	1,038,727	1,427,693	665,318	39,280	2,202,459
Utilities	29,729	38,696	22,163	521,510	47,022
Supplies and Other Services	15,084,270	21,640,294	3,538,738	17,719,062	9,370,719
Depreciation	8,202,918	11,708,970	163,456	9,123,889	1,322,857
Total Operating Expenses	<u>\$ 200,788,390</u>	<u>\$ 115,092,817</u>	<u>\$ 17,688,107</u>	<u>\$ 69,382,730</u>	<u>\$ 38,715,788</u>

<u>Natural Classification</u>	<u>Functional Classification</u>				
	<u>Institutional Support</u>	<u>Plant Operations and Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Total Operating Expenses</u>
Salaries					
Faculty					\$ 116,771,106
Staff	\$ 20,020,344	\$ 16,925,978	\$ 220,113	\$ 8,670,207	192,057,367
Employee Benefits	2,430,038	4,950,941	2,600	2,174,134	77,808,487
Other Personal Services	872,242				1,638,340
Travel	183,619	21,871		113,271	6,070,120
Scholarships and Fellowships	1,494,750		23,524,285	1,060	30,393,572
Utilities	59,432	13,680,128		3,089,271	17,487,951
Supplies and Other Services	10,321,252	19,725,860	51,604	33,230,378	130,682,177
Depreciation	780,007	3,377,567		7,913,506	42,593,170
Total Operating Expenses	<u>\$ 36,161,684</u>	<u>\$ 58,682,345</u>	<u>\$ 23,798,602</u>	<u>\$ 55,191,827</u>	<u>\$ 615,502,290</u>

**Note 17. Affiliated Organizations**

The Georgia State University Foundation and the Georgia State 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 organizations may be obtained from Georgia State University.

GEORGIA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

EXHIBIT "D"

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, 2014, and as such, are reported as component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant 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, 2014

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$ 112,656,723.00
Investments	1,783.21
Accounts Receivable	
Federal Financial Assistance	13,207,768.17
Other	21,681,618.60
Prepaid Expenditures	575,900.50
Inventories	<u>358,811.12</u>

Total Assets	\$ <u><u>148,482,604.60</u></u>
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LIABILITIES AND FUND EQUITY

Liabilities	
Accrued Payroll	\$ 1,280,342.04
Encumbrances Payable	59,514,262.24
Accounts Payable	2,457,374.73
Advances (including Tuition and Fees)	25,336,582.97
Other Liabilities	<u>862,594.32</u>

Total Liabilities	<u>89,451,156.30</u>
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Fund Balances

Reserved	
Department Sales and Services	11,873,050.05
Indirect Cost Recoveries	35,016,986.03
Technology Fees	2,527,985.72
Restricted/Sponsored Funds	1,105,632.34
Uncollectible Accounts Receivable	3,389,615.80
Tuition Carry-Over	3,487,912.88
Inventories	339,634.35
Carry-Over "Per State Accounting Office"	1,200,000.00
Unreserved	
Surplus	<u>90,631.13</u>

Total Fund Balances	<u>59,031,448.30</u>
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Total Liabilities and Fund Balances	\$ <u><u>148,482,604.60</u></u>
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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, 2014

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 187,700,309.00	\$ 187,700,309.00	\$ 0.00
Other Funds	558,530,817.00	443,197,433.79	-115,333,383.21
	<u>746,231,126.00</u>	<u>630,897,742.79</u>	<u>-115,333,383.21</u>
Total Revenues			
	746,231,126.00	630,897,742.79	-115,333,383.21
<u>ADJUSTMENTS AND PROGRAM TRANSFERS</u>	0.00	1,401,889.01	1,401,889.01
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	53,040,646.08	53,040,646.08
	<u>746,231,126.00</u>	<u>685,340,277.88</u>	<u>-60,890,848.12</u>
<u>EXPENDITURES</u>			
Special Funding Initiative	500,850.00	500,850.00	0.00
Teaching	745,730,276.00	629,226,805.20	116,503,470.80
	<u>746,231,126.00</u>	<u>629,727,655.20</u>	<u>116,503,470.80</u>
Total Expenditures			
	746,231,126.00	629,727,655.20	116,503,470.80
Excess of Funds Available over Expenditures	\$ 0.00	55,612,622.68	\$ 55,612,622.68
<u>FUND BALANCE JULY 1</u>			
Reserved		55,823,862.99	
Unreserved		296,954.34	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		1,325,558.26	
Prior Year Receivables/Revenues		-686,441.35	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-296,954.34	
Early Return of Surplus in Fiscal Year 2014		-3,508.20	
Prior Year Reserved Fund Balance Included in Funds Available		-53,040,646.08	
<u>FUND BALANCE JUNE 30</u>		<u>\$ 59,031,448.30</u>	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	11,873,050.05	
Indirect Cost Recoveries		35,016,986.03	
Technology Fees		2,527,985.72	
Restricted/Sponsored Funds		1,105,632.34	
Uncollectible Accounts Receivable		3,389,615.80	
Tuition Carry-Over		3,487,912.88	
Inventories		339,634.35	
Carry-Over "Per State Accounting Office"		1,200,000.00	
		<u>58,940,817.17</u>	
Total Reserved			
		58,940,817.17	
Unreserved			
Surplus		90,631.13	
		<u>90,631.13</u>	
Total Fund Balance			
	\$	<u>59,031,448.30</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  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE  
(NON-GAAP BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2014

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
<b>Special Funding Initiative</b>				
State Appropriation				
State General Funds	\$ 175,850.00	\$ 500,850.00	\$ 500,850.00	\$ 500,850.00
<b>Teaching</b>				
State Appropriation				
State General Funds	184,599,459.00	181,599,459.00	187,199,459.00	187,199,459.00
Other Funds	445,927,249.00	492,554,327.00	558,530,817.00	443,197,433.79
Total Teaching	630,526,708.00	674,153,786.00	745,730,276.00	630,396,892.79
 Total Operating Activity	 \$ 630,702,558.00	 \$ 674,654,636.00	 \$ 746,231,126.00	 \$ 630,897,742.79

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
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	of Funds Available Over Expenditures
\$ 0.00	\$ 0.00	\$ 500,850.00	\$ 0.00	\$ 500,850.00	\$ 0.00	\$ 0.00
0.00	0.00	187,199,459.00	0.00	187,199,459.00	0.00	0.00
53,040,646.08	1,401,889.01	497,639,968.88	-60,890,848.12	442,027,346.20	116,503,470.80	55,612,622.68
53,040,646.08	1,401,889.01	684,839,427.88	-60,890,848.12	629,226,805.20	116,503,470.80	55,612,622.68
\$ 53,040,646.08	\$ 1,401,889.01	\$ 685,340,277.88	\$ -60,890,848.12	\$ 629,727,655.20	\$ 116,503,470.80	\$ 55,612,622.68

GEORGIA STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
(NON-GAAP BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2014

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Period Adjustments	Other Adjustments
<b>Special Funding Initiative</b>					
State Appropriation					
State General Funds	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Teaching</b>					
State Appropriation					
State General Funds	256,182.36	0.00	-256,182.36	62,954.25	0.00
Other Funds	53,081,418.06	-53,040,646.08	-40,771.98	576,162.66	-946,033.24
Total Teaching	53,337,600.42	-53,040,646.08	-296,954.34	639,116.91	-946,033.24
Total Operating Activity	53,337,600.42	-53,040,646.08	-296,954.34	639,116.91	-946,033.24
Prior Year Reserves					
Not Available for Expenditure					
Inventories	261,492.03	0.00	0.00	0.00	78,142.32
Uncollectible Accounts Receivable	2,521,724.88	0.00	0.00	0.00	867,890.92
Budget Unit Totals	\$ 56,120,817.33	\$ -53,040,646.08	\$ -296,954.34	\$ 639,116.91	\$ 0.00

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.

Early Return Fiscal Year 2014 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
			Reserved	Surplus	Total
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
-3,508.20	0.00	59,446.05	0.00	59,446.05	59,446.05
0.00	55,612,622.68	55,242,752.10	55,211,567.02	31,185.08	55,242,752.10
-3,508.20	55,612,622.68	55,302,198.15	55,211,567.02	90,631.13	55,302,198.15
-3,508.20	55,612,622.68	55,302,198.15	55,211,567.02	90,631.13	55,302,198.15
0.00	0.00	339,634.35	339,634.35	0.00	339,634.35
0.00	0.00	3,389,615.80	3,389,615.80	0.00	3,389,615.80
\$ -3,508.20	\$ 55,612,622.68	\$ 59,031,448.30	\$ 58,940,817.17	\$ 90,631.13	\$ 59,031,448.30

## Summary of Ending Fund Balance

## Reserved

Department Sales and Services	\$ 11,873,050.05	\$ 11,873,050.05
Indirect Cost Recoveries	35,016,986.03	35,016,986.03
Technology Fees	2,527,985.72	2,527,985.72
Restricted/Sponsored Funds	1,105,632.34	1,105,632.34
Uncollectible Accounts Receivable	3,389,615.80	3,389,615.80
Tuition Carry-Over	3,487,912.88	3,487,912.88
Inventories	339,634.35	339,634.35
Carry-Over "Per State Accounting Office"	1,200,000.00	1,200,000.00

## Unreserved

Surplus	\$ 90,631.13	90,631.13
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Total Ending Fund Balance - June 30	\$ 58,940,817.17	\$ 90,631.13	\$ 59,031,448.30
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GEORGIA STATE UNIVERSITY  
RECONCILIATION OF BUDGET TO GAAP  
YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

Presented below 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.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1") \$ 59,031,448.30

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. 810,457,161.00

Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Position. -3,389,615.80

Subscription services are reported as prepaid items on the Statement of Net Position but are reported as expenditures in the Budget Fund 3,365,037.00

Certain obligations are reported as accounts payable on the Statement of Net Position but are not recognized as expenditures in the Budget Fund 1,142,725.49

Certain obligations are reported as accounts receivable on the Statement of Net Position but are not recognized as revenues in the Budget Fund 1,146,689.83

Certain obligations are reported as other assets on the Statement of Net Position but are not recognized as revenues in the Budget Fund 962,873.97

Certain obligations are reported as deferred revenue on the Statement of Net Position but are recognized as revenues in the Budget Fund -554,390.65

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 -300,738.53

Funds placed on deposit with the Georgia State Financing and Investment Commission for use in capital outlay projects are reported as an outlay in the Budget Fund, but are included as a prepaid item on the Statement of Net Position. 11,061,682.43

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

Assets	\$	12,655,046.08	
Liabilities		-12,655,046.08	
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	\$	49,813,672.35	
Liabilities		-6,137,126.77	
Total Net Effect of Auxiliary Enterprises Fund Activity			43,676,545.58

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

Assets	\$	65,255.82	
Liabilities		0.00	
Total Net Effect of Endowment Fund Activity			65,255.82

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

Assets	\$	6,671,431.61	
Liabilities		-22,765.44	
Total Net Effect of Loan Fund Activity			6,648,666.17

Remaining Student Activities Fund activities not previously adjusted and not reported as a component of the Budget Fund.

Assets	\$	32,198,463.83	
Liabilities		-1,136,593.65	
Total Net Effect of Student Activity Fund Activity			31,061,870.18



GEORGIA STATE UNIVERSITY  
RECONCILIATION OF BUDGET TO GAAP  
YEAR ENDED JUNE 30, 2014

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.	\$ 59,514,262.24	
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.	-9,679,925.71	
Georgia State Financing and Investment activity reported as revenues in the Budget Fund to cover encumbrances reported as expenditures are eliminated for GAAP reporting	<u>-3,118,095.54</u>	
Total Net Effect of Encumbrance Activity		\$ 46,716,240.99

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	\$ -371,510,425.84	
Compensated Absences Payable	-13,491,786.74	
Contracts Payable	-347,894.01	
Deferred gain from refinancing of lease	<u>-9,046,481.52</u>	
Total Liabilities		-394,396,588.11

Rounding Variance		<u>-0.67</u>
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Net Position of Business-Type Activities (Exhibit "A")	\$ <u><u>616,694,863.00</u></u>
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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, 2014

SCHEDULE "6"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 308,245,652.23	\$ 5,990,745.99
Accruals		
June 30, 2014	1,177,861.00	-168,585.67
June 30, 2013	-996,560.00	247,959.78
Compensated Absences		
June 30, 2014	12,533,011.36	
June 30, 2013	-11,912,615.74	
Federal Work Study Accruals		
June 30, 2014	-18,894.35	
June 30, 2013	10,620.30	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Albany State University		
Spratt, Bruce	-5,850.00	
Ariail, Mary	-1,000.00	
Armstrong Atlantic State University		
Kraft, Dr. John	800.00	
Atlanta Metro State College		
Husain, Muhammad Mudabbir	-4,200.00	
Miles, Jennifer	-2,800.00	
Clayton College and State University		
Foster, Victoria	4,521.30	
Taylor-Hamrick, Terri	800.00	
Nteff, Grace	4,521.30	
Shaw, Sharon Jane	4,521.30	
Curry, Kristina Elane	-5,000.00	
Blant, Shelia J.	-6,300.00	
Columbus State University		
Johnson, Barbara	500.00	
Emory University		
Crosson, Bruce	3,611.09	
Georgia College & State University		
Drennen, Anthony	-500.00	
Gyls, Beth A.	-750.00	
Georgia Gwinnett College		
Staaf, Christopher	2,000.00	
Tomashot, Shane R.	-13,200.00	
Estep, Jessica	1,614.75	
Yoder, Joshua	-6,600.00	
Yang, Seung	8,306.00	
Banton, Sophia	5,382.50	
Lin, Yu-Hsiu	-17,600.00	
Georgia Institute of Technology		
Gainty, Denise C.	-6,141.00	
Lukkarila, Lauren	3,767.76	
Shibata, Masaki	-15,400.00	
Alemdar, Melton	11,303.25	
Berry, Roberta M.	25,000.00	
Arkin, Ronald Craig	500.00	
Perez, Ruperto M.	300.00	
Sy, Samba A.	-6,600.00	
Lux, Thomas	1,076.50	

Adjustments

GEORGIA STATE UNIVERSITY  
RECONCILIATION OF SALARIES AND TRAVEL  
YEAR ENDED JUNE 30, 2014

SCHEDULE "6"

	SALARIES	TRAVEL
Shared Services on Jointly Staffed Personnel		
Georgia Perimeter College		
Artinian, Liana	\$ -2,200.00	
Greathouse, Candice	-5,417.00	
Cole, Calvin	-4,200.00	
Kreutzer, Cynthia D.	1,076.50	
Siler, John	1,076.50	
Stroeve, Elina	-8,630.84	
Stark, Ronald B.	-204,000.00	
Carter, Karen	1,076.50	
Dzigbede, Komla D.	-6,600.00	
Russell, Latoya	-2,500.00	
Hayes, Maya	-4,620.00	
Cheng, Qi	-4,400.00	
Mirpour, Rachel S.	-2,126.67	
Stanholtzer, Sheryl	1,076.50	
Georgia Southern University		
Kennedy, Ale	1,200.00	
Szymanski, Robert	7,000.00	
Kennesaw State University		
Lands, LeeAnn	1,168.90	
Floyd, Michael R.	-2,100.00	
Latif, Nadia	-500.00	
Stanford, Ruth Ann	-2,000.00	
Donaldson, Justin	-2,400.00	
Hedeen, Timothy	3,506.70	
Southern Polytechnic State University		
Zhang, Jin	-4,000.00	
Dzigbede, Komla D.	-6,600.00	
Dayananda, Mathes A. Kanishka	-4,000.00	
Mirpour, Rachel S.	-4,400.00	
Scherrar, Christina	16,663.00	
University of Georgia		
Marcotte, Anne	1,614.75	
Jones, Gregory T.	-38,000.00	
Fragaszy, Dorothy M.	10,500.00	
Combier, Elizabeth	800.00	
Boons, Geert-Jan	500.00	
Campbell, Linda	750.00	
Voss, Paul	-8,000.00	
Phelps, Rosemary	75,000.00	
Law, Scott	-12,918.00	
Sarkar, Sutandra	-5,000.00	
University System of Georgia		
Carver, Jr., Curtis A.	11,500.00	
Caldwell, Leslie	-5,000.00	
Kirkwood, Diane	800.00	
Skype, Melissa	-700.00	
Steward, Michael	-2,250.00	
Bhatt, Rachana	6,000.00	
University of North Georgia		
Hawk, Brittani	4,303.51	
Monsaas, Judith	3,229.50	
Taylor, Lina Elaine	4,521.30	
Stapleton, Michael	800.00	
University of West Georgia		
Vidakovic, Draga	-9,660.47	
Goodson, Howard	322.95	
Overfield, Denise	800.00	
Choy, Rosalind S.	-250.00	
Rounding Variance	-0.01	\$ -0.10
	<u>\$ 308,828,473.17</u>	<u>\$ 6,070,120.00</u>

## 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

March 5, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Georgia State University as of and for the year ended June 30, 2014, and have issued our report thereon dated March 5, 2015.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin  
State Auditor

GSG:as  
2014YB-10

### SECTION III

#### CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.