



GEORGIA STATE
UNIVERSITY

2018

ANNUAL
FINANCIAL
REPORT

GEORGIA STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2018

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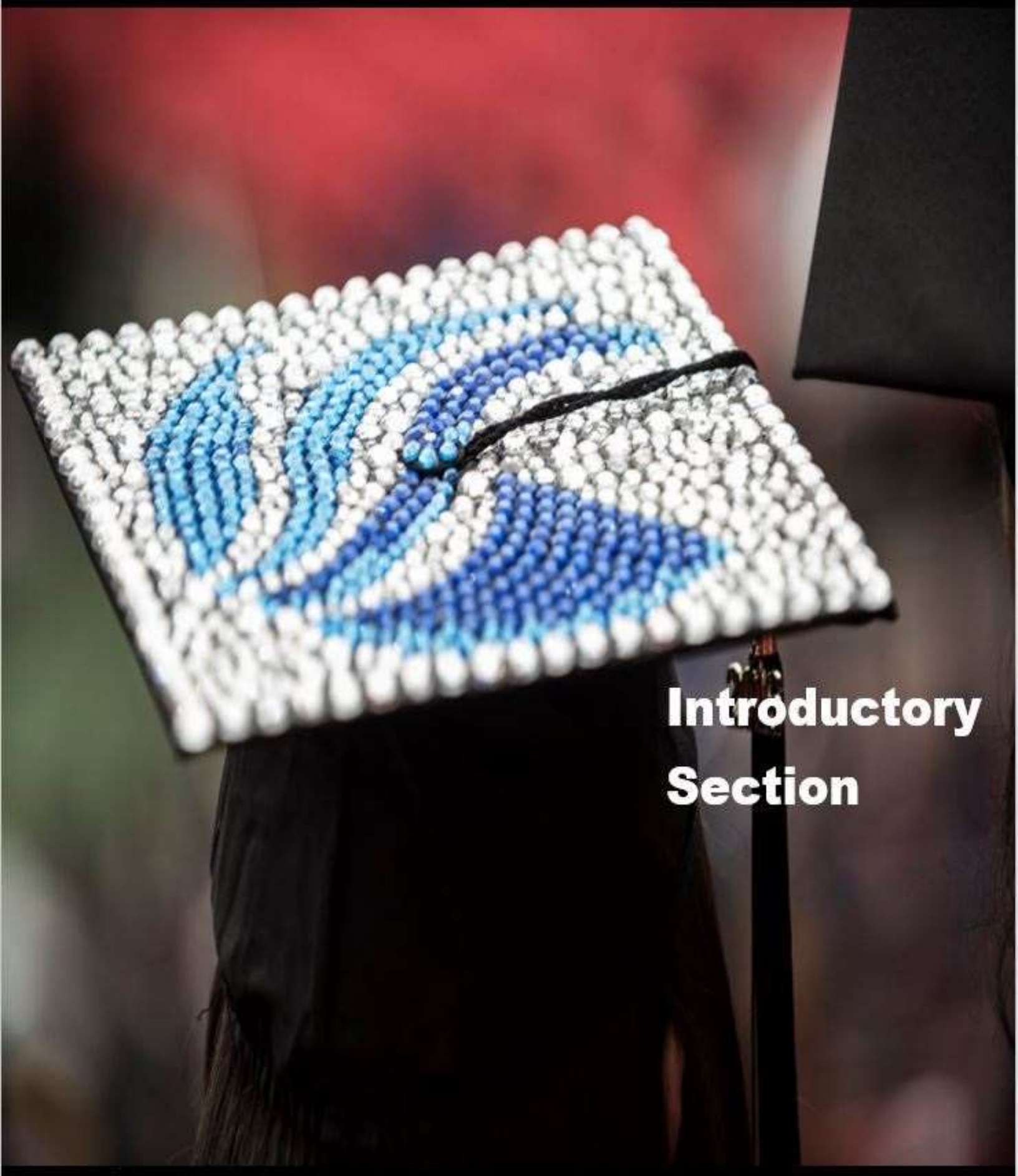
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Introductory Section

OFFICE OF THE SENIOR VICE PRESIDENT FOR FINANCE & ADMINISTRATION

P.O. Box 3999
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July 13, 2018

To: President Mark P. Becker
Georgia State University

The Annual Financial Report (AFR) for Georgia State University includes the financial statements for the year ended June 30, 2018, as well as other useful information to help ensure the University's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the University's financial position as a result of operations for the fiscal year ended June 30, 2018.

Georgia State University management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the University's financial position, revenues, expenses and other changes in net position.

The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the University's management. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Sincerely,

Jerry J. Rackliffe
Senior Vice President
Finance and Administration



FINANCIAL SECTION



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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, of Georgia State University (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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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. Except for the Georgia State University Research Foundation, Inc., the financial statements of the discretely presented component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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 the 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 the 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities and the aggregate discretely presented component units of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to these matters.

As discussed in Note 1 to the financial statements, in 2018, the University restated the prior period financial statements for a change in accounting principles, and the University's discretely presented component units were restated due to a change in the financial reporting entity. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Contributions for Defined Benefit Pension Plans, Schedules of Proportionate Share of the Net Pension Liability, Notes to the Required Supplementary Information for Pension Plans, Schedule of Contributions for OPEB Plan, Schedule of Proportionate Share of the Net OPEB Liability, Notes to the Required Supplementary Information for OPEB Plan as listed in the table of contents 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 and other auditors 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 inquiries 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section and accompanying supplementary information as listed in table on contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 and 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, based on our audit, the procedures performed as described above, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the 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 solely 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 the effectiveness of the University's 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 the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

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

Greg S. Griffin
State Auditor

January 18, 2019

GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University (University) is one of the 26 institutions of higher education of the University System of Georgia (USG). The University was founded in 1913 and is one of the Southeast's most enterprising public research universities. The University is a national leader in graduating students from diverse backgrounds. The University provides its world-class faculty and more than 50,000 students with unsurpassed connections to the opportunities available in one of the 21st century's great global cities. The University offers a challenging academic environment that emphasizes research and practical experience across the curriculum with 100 fields of study and more than 250 degree programs.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2018	51,562	43,502
FY 2017	50,969	42,850
FY 2016	53,068	43,862

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2018. 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 2018 and fiscal year 2017. However, the comparative data for fiscal year 2017 does not reflect the effects of the restatement of July 1, 2017 net position. This restatement is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplementary information, and the restatement of the July 1, 2017 net position balance. See Note 1 in the Notes to the Financial Statements for additional information related to the effects of the restatement of July 1, 2017 net position.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2018 and includes all assets and liabilities, both current and noncurrent, deferred outflows of resources and deferred inflows of resources. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between the sum of assets plus deferred outflows of resources and the sum of liabilities plus deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator

of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant and equipment owned by the University.

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

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

The table below provides a summary of the University's net position for the fiscal year as compared to the prior fiscal year.

CONDENSED STATEMENT OF NET POSITION		June 30, 2018	June 30, 2017 ⁽¹⁾	Increase/ (Decrease)	% Change
ASSETS					
Current Assets	\$	259,289,877	\$ 253,410,632	\$ 5,879,245	2.32 %
Capital Assets, Net		982,230,035	970,886,936	11,343,099	1.17 %
Other Assets		6,446,988	8,461,307	(2,014,319)	(23.81) %
TOTAL ASSETS		1,247,966,900	1,232,758,875	15,208,025	1.23 %
DEFERRED OUTFLOWS					
		81,221,944	89,512,601	(8,290,657)	(9.26) %
LIABILITIES					
Current Liabilities		92,815,573	92,560,915	254,658	0.28 %
Non-Current Liabilities		965,454,212	583,953,543	381,500,669	65.33 %
TOTAL LIABILITIES		1,058,269,785	676,514,458	381,755,327	56.43 %
DEFERRED INFLOWS					
		72,367,249	34,680,322	37,686,927	108.67 %
NET POSITION					
Net Investment in Capital Assets		735,167,675	706,756,462	28,411,213	4.02 %
Restricted, Non-Expendable		112,042	105,317	6,725	6.39 %
Restricted, Expendable		22,642,917	32,555,999	(9,913,082)	(30.45) %
Unrestricted (Deficit)		(559,370,824)	(128,341,082)	(431,029,742)	(335.85) %
TOTAL NET POSITION	\$	198,551,810	\$ 611,076,696	\$ (412,524,886)	(67.51) %

(1) The amounts listed for fiscal year 2017 were not adjusted for the restatement of beginning net position.

Total assets increased \$15,208,025 which was due to an increase in current assets of \$5,879,245, an increase in net capital assets of \$11,343,099, and a decrease in other assets of \$2,014,319. The overall increase in assets was mostly driven by sponsored project accounts receivable and building improvements.

Total deferred outflows of resources decreased by \$8,290,657 which was primarily due to the University's proportionate share of the actuarially determined deferred loss on defined benefit pensions plan administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities increased \$381,755,327 which was due to an increase in current liabilities of \$254,658 and an increase in non-current liabilities of \$381,500,669. In accordance with the USG's fiscal year 2018 implementation of GASB 75, the University reported Net Other Post Employment Benefit Liability of \$432.9 million.

Total deferred inflows of resources increased by \$37,686,927 which was primarily due to the University's proportionate share of the actuarially determined deferred gain on post-employment benefits and debt refunding of several lease revenue projects.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of \$412,524,886. This change in net position is primarily in the category of Non-Current Liabilities, in the amount of \$381,500,669.

Statement of Revenues, Expenses and Changes in Net Position

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

The table below presents the changes in net position as compared to the prior fiscal year.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2018	June 30, 2017 ⁽¹⁾	Increase/ (Decrease)	% Change
Operating Revenue	\$ 548,255,349	\$ 522,670,885	\$ 25,584,464	4.89%
Operating Expense	931,304,259	857,489,973	73,814,286	8.61%
Operating Income/Loss	(383,048,910)	(334,819,088)	(48,229,822)	14.40%
Non-Operating Revenue and Expense	369,618,236	347,159,606	22,458,630	6.47%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(13,430,674)	12,340,518	(25,771,192)	(208.83)%
Other Revenues, Expenses, Gains, Losses and Special Items	25,442,091	37,467,260	(12,025,169)	(32.10)%
Change in Net Position	12,011,417	49,807,778	(37,796,361)	(75.88)%
Net Position at beginning of year, restated	186,540,393	561,268,918	(374,728,525)	(66.76)%
Net Position at End of Year	\$ 198,551,810	\$ 611,076,696	\$(412,524,886)	(67.51)%

(1) The amounts listed for fiscal year 2017 were not adjusted for the restatement of beginning net position.

Some highlights of the information presented on this statement are presented in the tables and charts that follow:

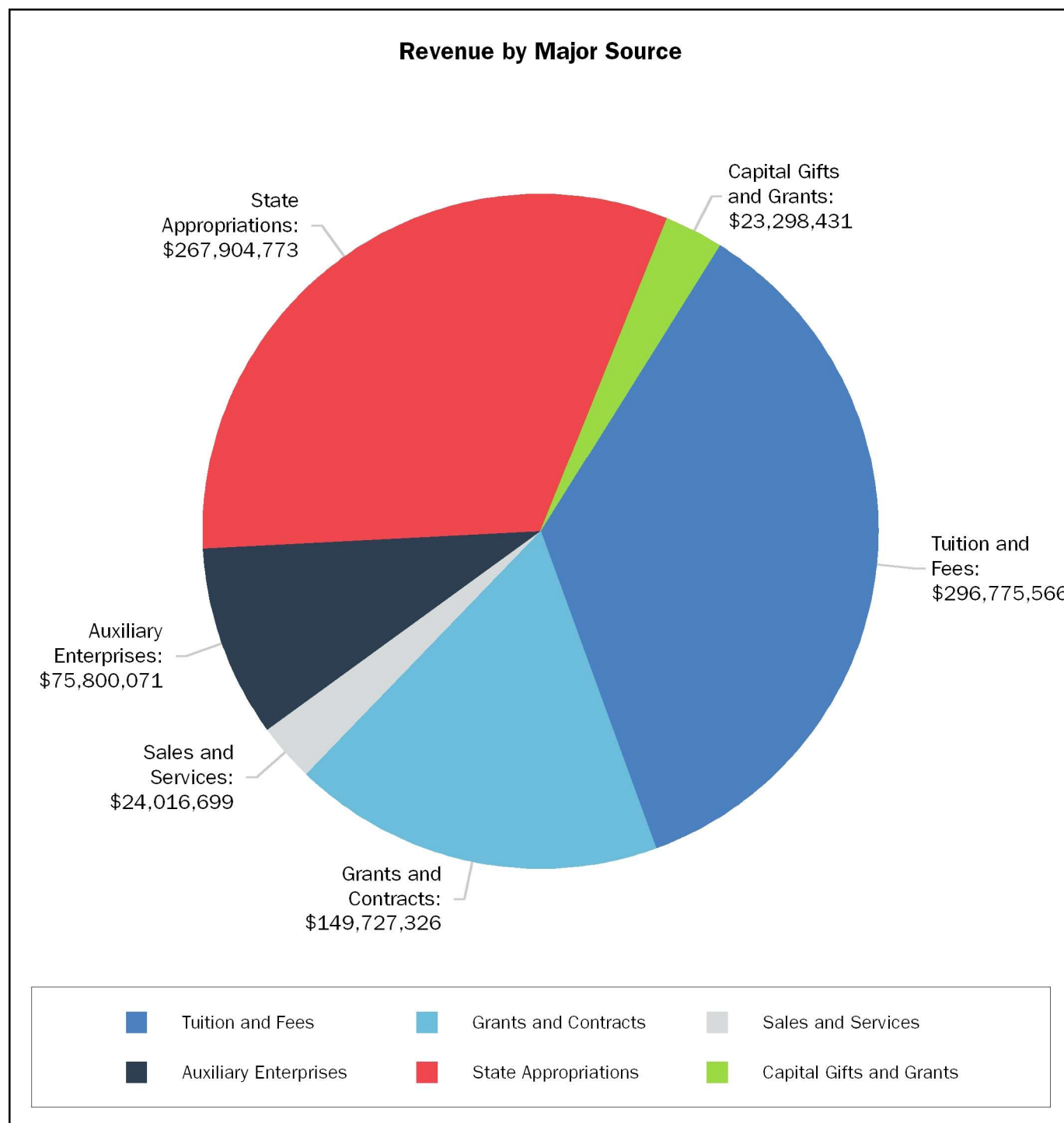
Revenues

In fiscal year 2018, state appropriations increased \$5.5 million (2.11%), grants and contracts revenue increased \$23.0 million (18.17%) and net tuition and fee revenues increased \$1.9 million (0.66%)

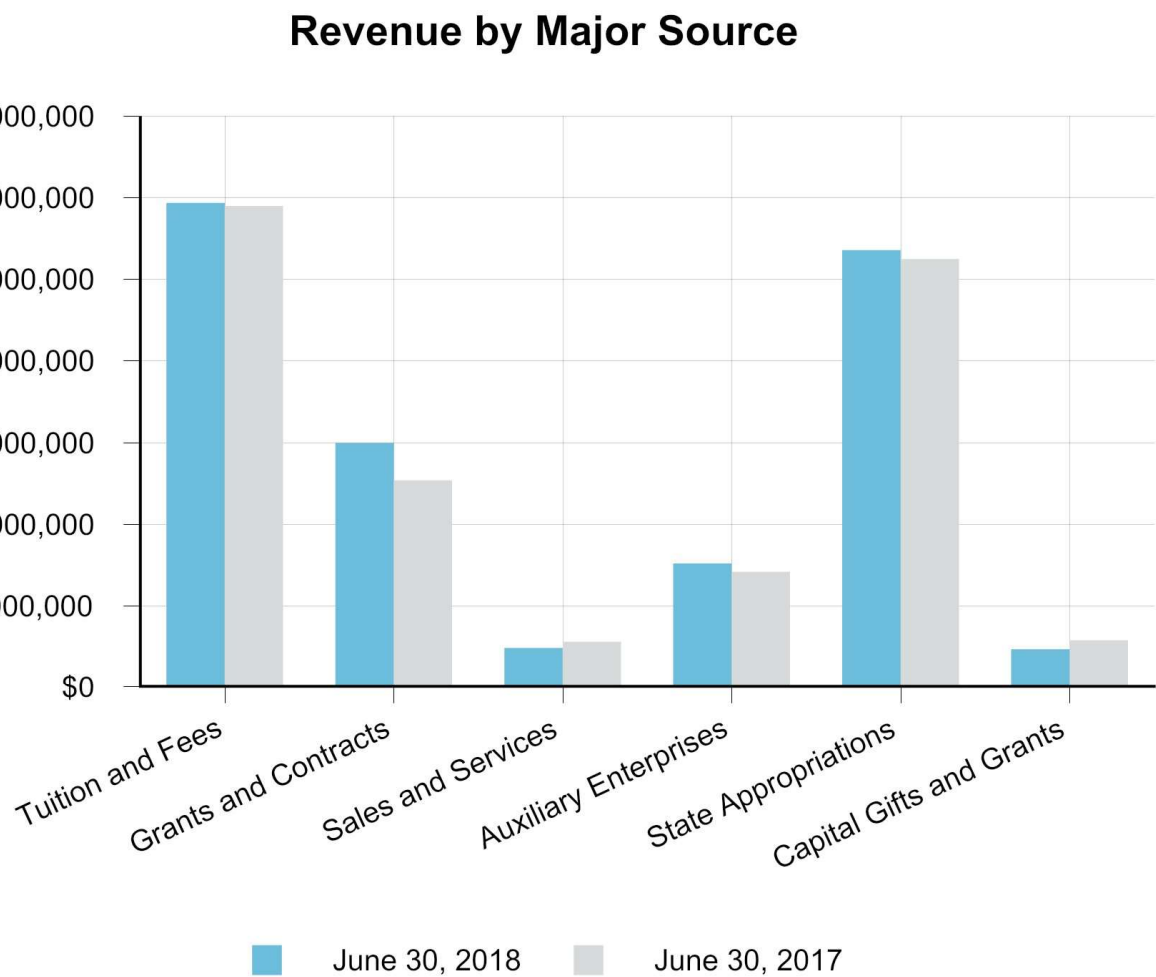
For the years ended June 30, 2018 and June 30, 2017, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 296,775,566	\$ 294,825,347	\$ 1,950,219	0.66 %
Grants and Contracts	149,727,326	126,703,528	23,023,798	18.17 %
Sales and Services	24,016,699	27,799,480	(3,782,781)	(13.61) %
Auxiliary Enterprises	75,800,071	70,821,467	4,978,604	7.03 %
Other Operating Revenues	1,935,687	2,521,063	(585,376)	(23.22) %
Total Operating Revenues	548,255,349	522,670,885	25,584,464	4.89 %
State Appropriations	267,904,773	262,361,384	5,543,389	2.11 %
Grants and Contracts	109,411,227	97,925,948	11,485,279	11.73 %
Gifts	1,449,864	690,887	758,977	109.86 %
Investment Income	2,669,139	1,344,910	1,324,229	98.46 %
Other Nonoperating Revenues	291,197	(602,586)	893,783	148.32 %
Total Nonoperating Revenues	381,726,200	361,720,543	20,005,657	5.53 %
State Capital Gifts and Grants	15,915,107	12,173,054	3,742,053	30.74 %
Other Capital Gifts and Grants	7,383,324	16,658,939	(9,275,615)	(55.68) %
Total Capital Gifts and Grants	23,298,431	28,831,993	(5,533,562)	(19.19) %
Special Items	2,143,660	8,635,267	(6,491,607)	(75.18) %
Total Revenues	\$ 955,423,640	\$ 921,858,688	\$ 33,564,952	3.64 %

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



Revenue by major source for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:



Expenses

For the years ended June 30, 2018 and June 30, 2017, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Instruction	\$ 290,665,508	\$ 275,348,949	\$ 15,316,559	5.56 %
Research	175,983,466	171,998,345	3,985,121	2.32 %
Public Service	22,354,692	22,519,365	(164,673)	(0.73) %
Academic Support	110,314,390	95,995,969	14,318,421	14.92 %
Student Services	59,578,153	54,665,106	4,913,047	8.99 %
Institutional Support	45,496,083	45,856,870	(360,787)	(0.79) %
Plant Operations and Maintenance	78,172,356	60,714,395	17,457,961	28.75 %
Scholarships and Fellowships	49,872,663	42,709,992	7,162,671	16.77 %
Auxiliary Enterprises	98,866,948	87,680,982	11,185,966	12.76 %
Total Operating Expenses	931,304,259	857,489,973	73,814,286	8.61 %
Interest Expense	12,107,964	14,560,937	(2,452,973)	(16.85) %
Total Nonoperating Expenses	12,107,964	14,560,937	(2,452,973)	(16.85) %
Total Expenses	\$ 943,412,223	\$ 872,050,910	\$ 71,361,313	8.18 %

Total expenses were \$943.4 million in fiscal year 2018, an increase of \$71.4 million (8.18%) when compared with fiscal 2017. These increases are primarily attributable to the following functional classifications: Instruction (\$15.3 million); Academic Support (\$14.3 million); Plant Operations and Maintenance (\$17.5 million); Auxiliary Enterprises (\$11.2 million); and Scholarships and Fellowships (\$7.2 million).

As noted above, total expenses increased \$71.4 million (8.18%) in fiscal year 2018 when compared with fiscal 2017. The increases were substantially attributable to salaries and benefits, including other personal services. The increases in salaries and benefits are attributable to increases in pension expenses, faculty and staff increases, and merit increases. The increases in Plant Operations are due to several ongoing building renovation projects.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2018 and 2017, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS		
	June 30, 2018	June 30, 2017
Cash Provided (Used) by:		
Operating Activities	\$ (318,418,219)	\$ (273,172,400)
Non-Capital Financing Activities	376,740,925	364,649,753
Capital and Related Financing Activities	(64,553,183)	(83,716,073)
Investing Activities	2,663,358	1,330,730
NET CHANGE IN CASH	\$ (3,567,119)	\$ 9,092,010
Cash and Cash Equivalents, beginning of year (restated)	199,362,254	190,270,244
CASH AND CASH EQUIVALENTS, end of year	\$ 195,795,135	\$ 199,362,254

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2018 and June 30, 2017 were as follows:

CAPITAL ASSETS, net of accumulated Depreciation	June 30, 2018	June 30, 2017	Increase (Decrease)	% Change
Land	\$ 112,081,332	\$ 109,943,292	\$ 2,138,040	1.94 %
Capitalized Collections	338,145	293,251	44,894	15.31 %
Construction Work-in-Progress	20,020,643	23,039,092	(3,018,449)	(13.10) %
Infrastructure	19,537,088	21,809,812	(2,272,724)	(10.42) %
Building and Building Improvements	741,411,883	726,496,803	14,915,080	2.05 %
Facilities and Other Improvements	14,230,417	15,068,495	(838,078)	(5.56) %
Equipment	38,509,747	38,388,626	121,121	0.32 %
Library Collections	36,100,780	35,847,565	253,215	0.71 %
Capital Assets, net of accumulated Depreciation	\$ 982,230,035	\$ 970,886,936	\$ 11,343,099	1.17 %

The University had five significant capital asset additions for facilities in fiscal year 2018. The Classroom South addition was completed for \$16.1 million, the GSU Stadium renovations for \$10.2 million, the Alpharetta Teaching Labs addition was completed for \$5.4 million, the SunTrust Building renovation for \$4.0 million and the Science Annex addition was completed for \$2.6 million. The University also new equipment purchases of \$14.0 million in the current fiscal year.

Long-Term Liabilities

Georgia State University had Long-Term Liabilities of \$987,063,183 of which \$21,608,971 was reflected as current liability at June 30, 2018.

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

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Georgia State University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is strong. The University anticipates the current fiscal year will be much like fiscal year 2018 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

Jerry J. Rackliffe, Senior Vice President
Georgia State University

FINANCIAL STATEMENTS

(GAAP Basis)



GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Georgia State University	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 189,291,914	\$ 22,627,648
Cash and Cash Equivalents (Externally Restricted)	5,987,433	2,842,889
Accounts Receivable, net		
Federal Financial Assistance	289,096	—
Affiliated Organizations	84,121	—
Component Units	22,633,382	—
Primary Government	—	2,546,660
Pledges and Contributions	—	5,798,990
Other	35,108,884	17,856,481
Investment in Capital Leases - Primary Government	—	7,127,637
Inventories	207,389	—
Prepaid Items	5,687,658	14,136,481
Total Current Assets	259,289,877	72,936,786
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	1,414,211	—
Pledges and Contributions	—	8,342,840
Investments	—	118,209,519
Notes Receivable, net	4,392,487	—
Investment in Capital Leases - Primary Government	—	187,102,773
Other Assets	—	3,864,055
Non-current Cash (Externally Restricted)	515,788	22,354,408
Investments (Externally Restricted)	124,502	127,804,391
Capital Assets, net	982,230,035	24,134,294
Total Non-Current Assets	988,677,023	491,812,280
TOTAL ASSETS	1,247,966,900	564,749,066
DEFERRED OUTFLOWS OF RESOURCES	\$ 81,221,944	\$ 8,355,807

GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Georgia State University	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 23,243,376	\$ 6,474,910
Salaries Payable	3,548,887	17,750
Benefits Payable	6,911,798	5,858
Retainage Payable	3,262,911	—
Due to Component Units	2,546,660	—
Due to Primary Government	—	22,633,382
Advances (Including Tuition and Fees)	28,780,646	2,681,256
Deposits	33,335	—
Deposits Held for Other Organizations	2,582,248	2,339,862
Other Liabilities	296,741	915,339
Lease Purchase Obligations - External	1,936,730	636,729
Lease Purchase Obligations - Component Units	7,127,637	—
Revenue Bonds and Notes Payable	—	5,145,000
Compensated Absences	12,544,604	—
Total Current Liabilities	92,815,573	40,850,086
Non-Current Liabilities		
Other Liabilities	—	5,434,496
Lease Purchase Obligations - External	32,082,827	15,141
Lease Purchase Obligations - Component Units	187,102,773	—
Revenue Bonds and Notes Payable	—	212,133,668
Liabilities Under Split Interest Agreements	—	1,714,796
Compensated Absences	8,319,032	—
Net Other Post-employment Benefits Liability	432,921,805	—
Net Pension Liability	305,027,775	—
Total Non-Current Liabilities	965,454,212	219,298,101
TOTAL LIABILITIES	1,058,269,785	260,148,187
DEFERRED INFLOWS OF RESOURCES	72,367,249	13,865,500
NET POSITION		
Net Investment in Capital Assets	735,167,675	24,100,324
Restricted for:		
Nonexpendable	112,042	164,209,327
Expendable	22,642,917	79,095,344
Unrestricted (Deficit)	(559,370,824)	31,686,191
TOTAL NET POSITION	\$ 198,551,810	\$ 299,091,186

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
FOR FISCAL YEAR ENDED JUNE 30, 2018

	Georgia State University	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 296,775,566	\$ —
Grants and Contracts		
Federal	82,873,514	74,603,709
State	10,882,423	1,537,339
Other	55,971,389	18,467,719
Sales and Services	24,016,699	3,000,241
Rents and Royalties	177,701	18,110,267
Auxiliary Enterprises		
Residence Halls	18,081,307	—
Bookstore	1,684,311	—
Food Services	17,455,763	—
Parking/Transportation	8,786,936	—
Health Services	3,525,000	—
Intercollegiate Athletics	19,338,612	—
Other Organizations	6,928,142	—
Gifts and Contributions	—	47,905,850
Endowment Income	—	6,371,836
Other Operating Revenues	1,757,986	8,630,281
Total Operating Revenues	548,255,349	178,627,242
OPERATING EXPENSES		
Faculty Salaries	203,276,295	—
Staff Salaries	249,038,686	12,804,822
Employee Benefits	144,876,807	279,987
Other Personal Services	2,259,937	—
Travel	7,016,091	1,553,929
Scholarships and Fellowships	60,154,443	14,854,592
Utilities	20,863,659	148,910
Supplies and Other Services	189,638,364	136,019,972
Depreciation	54,179,977	1,370,168
Total Operating Expenses	931,304,259	167,032,380
Operating Income (Loss)	\$ (383,048,910)	\$ 11,594,862

GEORGIA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018

	Georgia State University	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 267,904,773	\$ —
Grants and Contracts		
Federal	104,969,524	—
Other	4,441,703	—
Gifts	1,449,864	(281,669)
Investment Income	2,669,139	8,889,225
Interest Expense	(12,107,964)	(4,069,311)
Other Nonoperating Revenues (Expenses)	291,197	663,433
	<hr/>	<hr/>
Net Nonoperating Revenues	369,618,236	5,201,678
	<hr/>	<hr/>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(13,430,674)	16,796,540
	<hr/>	<hr/>
Capital Grants and Gifts		
State	15,915,107	—
Other	7,383,324	—
Special Item	2,143,660	—
	<hr/>	<hr/>
Total Other Revenues, Expenses, Gains or Losses	25,442,091	—
	<hr/>	<hr/>
Change in Net Position	12,011,417	16,796,540
	<hr/>	<hr/>
Net Position, Beginning of Year, As Originally Reported	611,076,696	282,294,646
Prior Year Adjustments	(424,536,303)	—
	<hr/>	<hr/>
Net Position, Beginning of Year, Restated	186,540,393	282,294,646
	<hr/>	<hr/>
Net Position, End of Year	\$ 198,551,810	\$ 299,091,186
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The notes to the financial statements are an integral part of this statement.

GEORGIA STATE UNIVERSITY **STATEMENT OF CASH FLOWS** **FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 391,278,779
Grants and Contracts (Exchange)	153,378,463
Payments to Suppliers	(346,219,983)
Payments to Employees	(458,831,649)
Payments for Scholarships and Fellowships	(60,154,442)
Loans Issued to Students	(2,468,027)
Collection of Loans from Students	2,855,166
Other Receipts	1,743,474
Net Cash Used by Operating Activities	<u>(318,418,219)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	267,904,773
Agency Funds Transactions - Receipts	804,741,576
Agency Funds Transactions - Disbursements	(805,331,746)
Gifts and Grants Received for Other Than Capital Purposes	110,861,091
Other Non-Capital Financing Receipts	(34,412)
Other Non-Capital Financing Payments	(1,400,357)
Net Cash Flows Provided by Non-Capital Financing Activities	<u>376,740,925</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	11,948,091
Proceeds from Sale of Capital Assets	2,116,018
Purchases of Capital Assets	(55,695,128)
Principal Paid on Capital Debt and Leases	(10,109,417)
Interest Paid on Capital Debt and Leases	(12,812,747)
Net Cash Used by Capital and Related Financing Activities	<u>(64,553,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>2,663,358</u>
Net Decrease in Cash and Cash Equivalents	(3,567,119)
Cash and Cash Equivalents, Beginning of Year	<u>199,362,254</u>
Cash and Cash Equivalents, End of Year	<u>\$ 195,795,135</u>

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

GEORGIA STATE UNIVERSITY **STATEMENT OF CASH FLOWS** **FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (383,048,910)
Net Cash Used by Operating Activities	
Depreciation	54,179,977
Change in Assets and Liabilities:	
Receivables, net	(2,489,617)
Inventories	128,553
Prepaid Items	(1,140,184)
Notes Receivable, Net	367,108
Accounts Payable	(4,293,914)
Salaries Payable	105,022
Deposits	11,752
Advances (Including Tuition and Fees)	1,605,342
Other Liabilities	151,696
Funds Held for Others	(8,481)
Compensated Absences	276,323
Due to Affiliated Organizations	676,465
Net Pension Liability	(31,498,573)
Other Post-Employment Benefit Liability	(1,831,286)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	29,883,063
Deferred Outflows of Resources	18,507,445
Net Cash Used by Operating Activities	<u>\$ (318,418,219)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	<u>\$ 3,021,522</u>
Gift of Capital Assets	<u>\$ 7,373,641</u>
Loss on Disposal of Capital Assets	<u>\$ (390,053)</u>
Accrual of Capital Asset Related Payables	<u>\$ 2,601,999</u>
Capital Assets Acquired by Incurring Capital Lease Obligations	<u>\$ 952,773</u>
Gain/Loss on Capital Debt Refunded	<u>\$ (10,751,893)</u>
Amortization of Deferred Gain/Loss of Capital Debt Refunded	<u>\$ 704,783</u>
Special Item - Capital Asset Transfer	<u>\$ 2,143,660</u>
Unrealized Gain/Loss on Investments	<u>\$ 5,781</u>

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

GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018

	Georgia State Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc. and Affiliates	Elimination / Consolidation Entries	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 3,302,696	\$ 5,866,847	\$ 13,458,105	\$ —	\$ 22,627,648
Cash and Cash Equivalents (Externally Restricted)	—	—	2,842,889	—	2,842,889
Accounts Receivable, net					
Component Units	—	—	54,180	(54,180)	—
Primary Government	—	—	2,546,660	—	2,546,660
Pledges and Contributions	12,921,741	5,798,990	—	(12,921,741)	5,798,990
Other	488,536	509,290	16,858,655	—	17,856,481
Investment in Capital Leases - Primary Government	—	4,817,806	2,309,831	—	7,127,637
Prepaid Items	263,403	—	13,873,078	—	14,136,481
Total Current Assets	16,976,376	16,992,933	51,943,398	(12,975,921)	72,936,786
Non-Current Assets					
Accounts Receivable, net					
Pledges and Contributions	—	8,342,840	—	—	8,342,840
Investments	—	111,105,240	7,104,279	—	118,209,519
Investment in Capital Leases - Primary Government	—	117,046,402	70,056,371	—	187,102,773
Other Assets	—	3,864,055	—	—	3,864,055
Non-current Cash (Externally Restricted)	—	22,354,408	—	—	22,354,408
Investments (Externally Restricted)	—	127,804,391	—	—	127,804,391
Capital Assets, net	254,088	15,324,667	8,555,539	—	24,134,294
Total Non-Current Assets	254,088	405,842,003	85,716,189	—	491,812,280
TOTAL ASSETS	17,230,464	422,834,936	137,659,587	(12,975,921)	564,749,066
DEFERRED OUTFLOWS OF RESOURCES					
	\$ —	\$ —	\$ 8,355,807	\$ —	\$ 8,355,807

GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018

	Georgia State Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc. and Affiliates	Elimination / Consolidation Entries	Total
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 610,494	\$ 3,908,976	\$ 1,955,440	\$ —	\$ 6,474,910
Salaries Payable	17,750	—	—	—	17,750
Benefits Payable	5,858	—	—	—	5,858
Due to Component Units	—	—	54,180	(54,180)	—
Due to Primary Government	—	—	22,633,382	—	22,633,382
Advances (Including Tuition and Fees)	1,431,256	1,250,000	—	—	2,681,256
Deposits Held for Other Organizations	—	2,339,862	—	—	2,339,862
Other Liabilities	3,296	912,043	—	—	915,339
Lease Purchase Obligations - External	18,829	617,900	—	—	636,729
Revenue Bonds and Notes Payable	—	5,145,000	—	—	5,145,000
Total Current Liabilities	<u>2,087,483</u>	<u>14,173,781</u>	<u>24,643,002</u>	<u>(54,180)</u>	<u>40,850,086</u>
Non-Current Liabilities					
Other Liabilities	—	5,434,496	—	—	5,434,496
Lease Purchase Obligations - External	15,141	—	—	—	15,141
Revenue Bonds and Notes Payable	—	131,052,210	81,081,458	—	212,133,668
Liabilities Under Split Interest Agreements	—	1,714,796	—	—	1,714,796
Total Non-Current Liabilities	<u>15,141</u>	<u>138,201,502</u>	<u>81,081,458</u>	<u>—</u>	<u>219,298,101</u>
TOTAL LIABILITIES	<u>2,102,624</u>	<u>152,375,283</u>	<u>105,724,460</u>	<u>(54,180)</u>	<u>260,148,187</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>—</u>	<u>—</u>	<u>13,865,500</u>	<u>—</u>	<u>13,865,500</u>
NET POSITION					
Net Investment in Capital Assets	220,118	15,324,667	8,555,539	—	24,100,324
Restricted for:					
Nonexpendable	—	164,209,327	—	—	164,209,327
Expendable	2,650,111	64,799,156	11,646,077	—	79,095,344
Unrestricted (Deficit)	<u>12,257,611</u>	<u>26,126,503</u>	<u>6,223,818</u>	<u>(12,921,741)</u>	<u>31,686,191</u>
TOTAL NET POSITION	<u>\$ 15,127,840</u>	<u>\$ 270,459,653</u>	<u>\$ 26,425,434</u>	<u>\$ (12,921,741)</u>	<u>\$ 299,091,186</u>

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

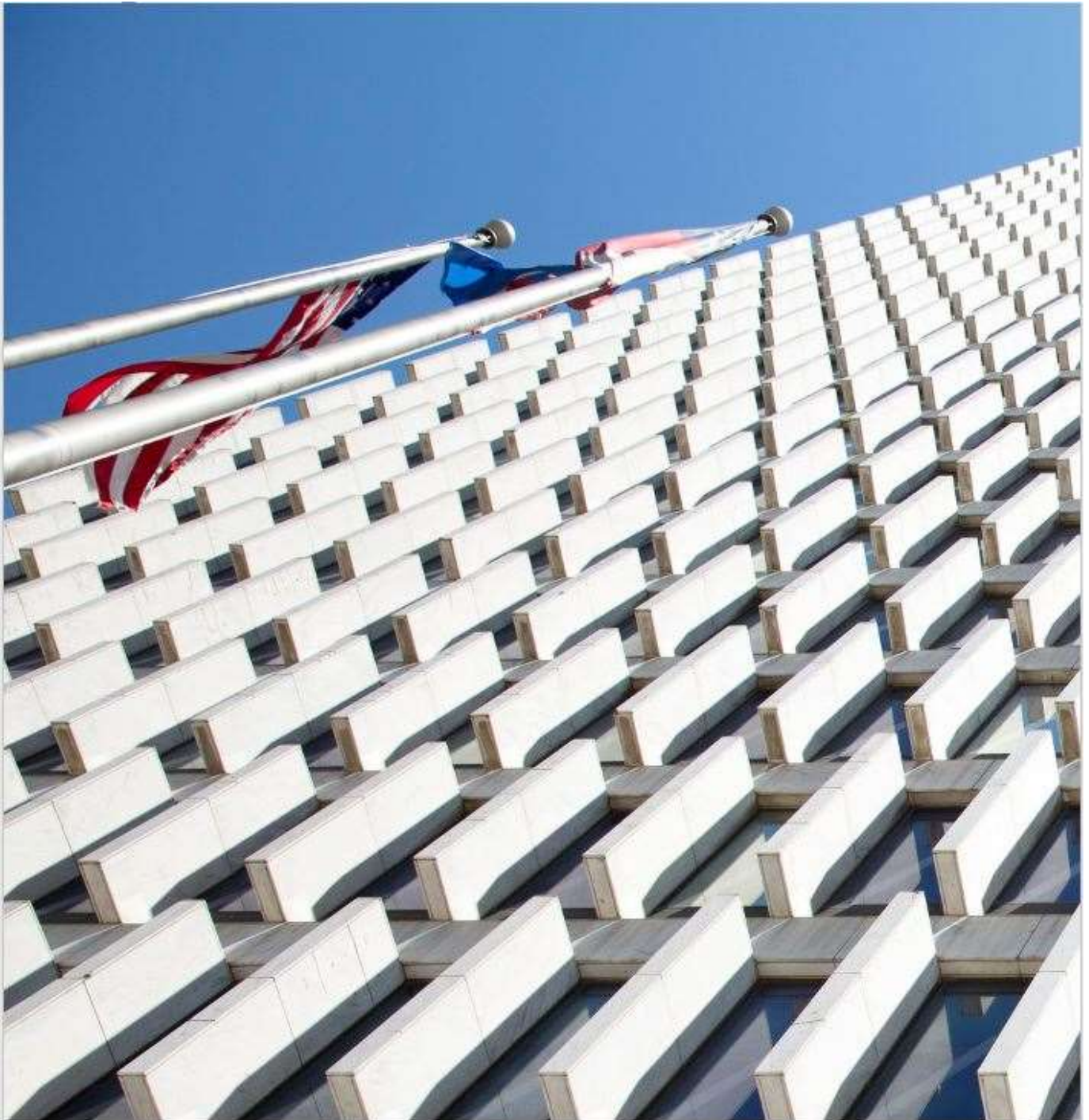
GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018

	Georgia State Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc. and Affiliates	Elimination / Consolidation Entries	Total
OPERATING REVENUES					
Grants and Contracts					
Federal	\$ —	\$ —	\$ 74,603,709	\$ —	\$ 74,603,709
State	—	—	1,537,339	—	1,537,339
Other	—	—	18,467,719	—	18,467,719
Sales and Services	3,000,241	—	—	—	3,000,241
Rents and Royalties	640,717	17,375,554	93,996	—	18,110,267
Gifts and Contributions	36,074,116	22,247,918	—	(10,416,184)	47,905,850
Endowment Income	—	6,371,836	—	—	6,371,836
Other Operating Revenues	4,052,973	1,544,394	3,032,914	—	8,630,281
Total Operating Revenues	43,768,047	47,539,702	97,735,677	(10,416,184)	178,627,242
OPERATING EXPENSES					
Staff Salaries	10,553,507	2,251,315	—	—	12,804,822
Employee Benefits	279,987	—	—	—	279,987
Travel	379,662	1,076,496	97,771	—	1,553,929
Scholarships and Fellowships	7,459,242	7,395,350	—	—	14,854,592
Utilities	141,190	—	7,720	—	148,910
Supplies and Other Services	13,722,507	28,398,259	93,899,206	—	136,019,972
Depreciation	70,338	591,008	708,822	—	1,370,168
Total Operating Expenses	32,606,433	39,712,428	94,713,519	—	167,032,380
Operating Income (Loss)	\$ 11,161,614	\$ 7,827,274	\$ 3,022,158	\$ (10,416,184)	\$ 11,594,862

GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018

	Georgia State Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc. and Affiliates	Elimination / Consolidation Entries	Total
NONOPERATING REVENUES (EXPENSES)					
Gifts	\$ —	\$ —	\$ (281,669)	\$ —	\$ (281,669)
Investment Income	—	8,147,416	741,809	—	8,889,225
Interest Expense	—	(1,381,634)	(2,687,677)	—	(4,069,311)
Other Nonoperating Revenues (Expenses)	—	—	663,433	—	663,433
Net Nonoperating Revenues	—	6,765,782	(1,564,104)	—	5,201,678
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	11,161,614	14,593,056	1,458,054	(10,416,184)	16,796,540
Change in Net Position	11,161,614	14,593,056	1,458,054	(10,416,184)	16,796,540
Net Position, Beginning of Year, Restated	3,966,226	255,866,597	24,967,380	(2,505,557)	282,294,646
Net Position, End of Year	\$ 15,127,840	\$ 270,459,653	\$ 26,425,434	\$ (12,921,741)	\$ 299,091,186

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



Notes to the Financial Statements



GEORGIA STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The University does not have the right to sue/be sued without recourse to the State. The University's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the University is not legally separate from the State. Accordingly, the University is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, 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.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

Discretely Presented Component Units

The below organizations are legally separate, tax-exempt component units of the State. Although the State (primary government) is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the primary government and the below organizations is such that exclusion from these departmental financial statements would render them misleading. The below organizations met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. Each of the below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following addresses.

- Georgia State University Athletic Association, Inc., 125 Decatur Street, Atlanta, Georgia, 30303

- Georgia State University Foundation, Inc., Attn: Dale Palmer, GSU Foundation, 533 One Park Place, Atlanta, GA 30301-2668.
- Georgia State University Research Foundation, Inc., 100 Auburn Avenue, Suite 315, Atlanta, GA, 30303.

See Component Unit Note for additional information related to discretely presented component units.

Basis of Accounting and Financial Statement Presentation

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

The University's business-type activities 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. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2018, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses accounting and financial reporting issues regarding in-substance defeasance of debt. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues identified during implementation and application of certain other GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplementary information, and the restatement of the July 1, 2017 net position balance.

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 (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the

Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal. Short-Term Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-Term Investments restricted as to use by a third party are reported as externally restricted.

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 Balanced Income Fund, the Board of Regents Diversified Fund and the Board of Regents Diversified Fund for Foundations are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

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 federal, 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 are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the first in, first out ("FIFO") basis.

Non-current Cash and Investments

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

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

Capital Assets

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

will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the 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. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

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.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the University acting as an agent or fiduciary, for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Compensated Absences

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

Non-current Liabilities

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

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB)

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

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

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of 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 - non-expendable net position 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 permit 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; limitations on investments, etc.

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

Unrestricted net position 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 or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Income Taxes

The University, 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 classifies 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 non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No.34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

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 non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$92,314,934.

Special Item

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items.

On January 11, 2018, the Board of Regents accepted a gift of approximately 5.669 acres of real property, located at 445 Capitol Ave, Atlanta, GA 30315, from the Georgia Building Authority for the use and benefit of Georgia State University. The land and improvements, formerly known as the Department of Juvenile Justice Parking Lot, are valued at \$2,129,900 and \$13,760 respectively.

Restatement of Prior Year Net Position

The University made the following restatements:

	Business-type Activities	Discretely Presented Component Units
Net position, beginning of year, as originally reported	\$ 611,076,696	\$ 280,833,977
Changes in financial reporting entity	—	1,460,669
Changes in accounting principles	(424,536,303)	—
Net position, beginning of year, restated	<u>\$ 186,540,393</u>	<u>\$ 282,294,646</u>

Changes in Financial Reporting Entity

The determination was made that Georgia State University Athletic Association, Inc. met the requirements for inclusion as discretely presented component units. The effect of this determination was an increase to discretely presented component unit beginning net position in the amount of \$1,460,669.

Changes in accounting principles

Beginning net position for business-type activities was decreased \$424,536,303 related to the adoption of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplementary information, and the restatement of the July 1, 2017 net position balance.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$ 189,291,914
Cash and Cash Equivalents (Externally Restricted)	5,987,433
Noncurrent Cash (Externally Restricted)	515,788
Noncurrent Investments (Externally Restricted)	124,502
	<u>\$ 195,919,637</u>

Cash on hand, deposits and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 49,040
Deposits with Financial Institutions	31,583,611
Investments	164,286,986
	<u>\$ 195,919,637</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest-bearing demand deposit accounts. 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 (O.C.G.A.) § 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. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2018, the bank balances of the University's deposits totaled \$43,867,007. None of these deposits were exposed to custodial credit risk.

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which

conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2018.

	Fair Value
Investment Pools	
Board of Regents	
Short-Term Fund	\$ 77,753,876
Balanced Income Fund	46,614
Diversified Fund	77,888
Office of the State Treasurer	
Georgia Fund 1	86,408,608
Total Investments	\$ 164,286,986

The University holds positions in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The University does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's position in the pooled investment fund options are described below:

1. Short-Term Fund

The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2018 was \$77,753,876, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.71 years.

2. Balanced Income Fund

The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality, short term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2018 was \$46,614, of which 68% is invested in debt securities. The Effective Duration of the Fund is 4.01 years.

3. Diversified Fund

The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

The equity allocation shall range between 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 25% and 50%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Diversified Fund at June 30, 2018 was \$77,888, of which 28% is invested in debt securities. The Effective Duration of the Fund is 5.86 years.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, \$1 per share. The value of the University's share of the Georgia Fund 1 Investment Pool at June 30, 2018 was \$86,408,608. The Georgia Fund 1 Investment Pool is an AAAs rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 10 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 attempts to match investments with expected cash requirements.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2018:

	Business Type Activities
Student Tuition and Fees	\$ 17,984,516
Auxiliary Enterprises and Other Operating Activities	2,464,033
Federal Financial Assistance	289,096
Georgia State Financing and Investment Commission	3,021,522
Due from Component Units	23,009,828
Due From Other USO-Capital Liability Reserve Fund	1,414,211
Other	18,741,159
	<u>67,008,486</u>
Less: Allowance for Doubtful Accounts	<u>7,478,792</u>
Net Accounts Receivable	<u>\$ 59,529,694</u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

Consumable Supplies	\$ 130,935
Merchandise for Resale	<u>76,454</u>
Total	<u>\$ 207,389</u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. 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 canceled 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, 2018, the allowance for uncollectible loans was \$53,813.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2018 are shown below:

	Balance July 1, 2017	Special Item Transfer	Additions	Reductions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:					
Land	\$ 109,943,292	\$ 2,129,900	\$ 8,140	\$ —	\$ 112,081,332
Capitalized Collections	293,251	—	44,894	—	338,145
Construction Work-in-Progress	23,039,092	—	9,309,430	12,327,879	20,020,643
Total Capital Assets Not Being Depreciated	133,275,635	2,129,900	9,362,464	12,327,879	132,440,120
Capital Assets, Being Depreciated/Amortized:					
Infrastructure	36,346,191	—	40,000	—	36,386,191
Building and Building Improvements	1,115,841,814	—	47,169,237	—	1,163,011,051
Facilities and Other Improvements	24,729,622	13,760	294,910	—	25,038,292
Equipment	137,122,958	—	13,960,747	7,430,807	143,652,898
Library Collections	173,941,813	—	7,020,101	161,750	180,800,164
Total Capital Assets Being Depreciated/Amortized	1,487,982,398	13,760	68,484,995	7,592,557	1,548,888,596
Less: Accumulated Depreciation/Amortization					
Infrastructure	14,536,379	—	2,312,724	—	16,849,103
Building and Building Improvements	389,345,011	—	32,254,157	—	421,599,168
Facilities and Other Improvements	9,661,127	—	1,146,748	—	10,807,875
Equipment	98,734,332	—	11,699,462	5,290,643	105,143,151
Library Collections	138,094,248	—	6,766,886	161,750	144,699,384
Total Accumulated Depreciation/Amortization	650,371,097	—	54,179,977	5,452,393	699,098,681
Total Capital Assets, Being Depreciated/Amortized, Net	837,611,301	13,760	14,305,018	2,140,164	849,789,915
Capital Assets, net	\$ 970,886,936	\$ 2,143,660	\$ 23,667,482	\$ 14,468,043	\$ 982,230,035

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, 2018, GSFIC did not transfer any capital additions to the University related to GSFIC managed projects.

A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2018	\$ 54,179,977
2017	\$ 50,366,423
2016	\$ 51,616,165

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2018:

	Current Liabilities
Prepaid Tuition and Fees	\$ 23,122,267
Other - Advances	5,658,379
Totals	<u>\$ 28,780,646</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2018 was as follows:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Leases					
Lease Purchase Obligations	\$ 248,045,194	\$ 952,773	\$ 20,748,000	\$ 228,249,967	\$ 9,064,367
Other Liabilities					
Compensated Absences	20,587,312	17,454,471	17,178,147	20,863,636	12,544,604
Net Pension Liability	336,526,348	—	31,498,573	305,027,775	—
Net Other Post-employment Benefits Liability	434,753,091	—	1,831,286	432,921,805	—
Total	<u>791,866,751</u>	<u>17,454,471</u>	<u>50,508,006</u>	<u>758,813,216</u>	<u>12,544,604</u>
Total Long-Term Obligations	<u>\$ 1,039,911,945</u>	<u>\$ 18,407,244</u>	<u>\$ 71,256,006</u>	<u>\$ 987,063,183</u>	<u>\$ 21,608,971</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2018, consisted of the following:

Deferred Outflow of Resources

Deferred Loss on Defined Benefit Pension Plans (See Note 14)	\$ 54,503,861
Deferred Loss on OPEB Plan (See Note 17)	26,718,083
Total Deferred Outflows of Resources	<u><u>\$ 81,221,944</u></u>

Deferred Inflow of Resources

Deferred Gain on Debt Refunding	\$ 16,210,394
Unavailable Revenues	18,818,890
Deferred Gain on Defined Benefit Pension Plans (See Note 14)	4,694,885
Deferred Gain on OPEB Plan (See Note 17)	32,643,080
Total Deferred Inflows of Resources	<u><u>\$ 72,367,249</u></u>

Deferred Loss/Gain on Debt Refunding

In June 2016, the Georgia State University Research Foundation refunded the bonds associated with the Petit Science Center and passed the perceived economic advantages of this refund to the University by reducing the future

minimum lease payments and the effective interest rate. As a result of this refund, the University recognized a Deferred Gain on Debt Refunding in the amount of \$6,502,797. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is \$5,869,795.

In August 2017, the Georgia State University Foundation refunded the bonds associated with the SunTrust Tower and Parking Decks and passed the perceived economic advantages of the refund to the University. As a result of this refund, the University recognized a Deferred Gain on Debt refunding in the amount of \$5,953,575. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is \$5,665,076.

In August 2017, the Georgia State University Foundation refunded the bonds associated with the Newton Academic Building and passed the perceived economic advantages of the refund to the University. As a result of this refund, the University recognized a Deferred Gain on Debt refunding in the amount of \$2,188,383. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is \$2,076,419.

In May 2018, the Georgia State University Foundation refunded the bonds associated with the Georgia Perimeter Student Support Projects and passed the perceived economic advantages of the refund to the University. As a result of this refund, the University recognized a Deferred Gain on Debt refunding in the amount of \$2,609,934. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is \$2,599,104.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2018 is as follows:

Net Investment in Capital Assets	<u>\$ 735,167,675</u>
Restricted for	
Nonexpendable	
Permanent Endowment	<u>112,042</u>
Expendable	
Sponsored and Other Organized Activities	18,234,336
Federal Loans	4,396,122
Quasi-Endowments	<u>12,459</u>
Sub-Total	<u>22,642,917</u>
Unrestricted	
Auxiliary Enterprises Operations	(5,306,233)
Auxiliary Enterprises Renewals and Replacement Reserve	35,662,636
Reserve for Encumbrances	37,240,089
Reserve for Inventory	210,336
Capital Liability Reserve Fund	1,414,211
Other Unrestricted	<u>(628,591,863)</u>
Sub-Total	<u>(559,370,824)</u>
Total Net Position	<u>\$ 198,551,810</u>

In fiscal year 2018, the University implemented GASB Statement No. 75 which reduced other unrestricted net position by \$438,846,802 related to the recording of net OPEB liability, deferred inflows of resources on OPEB plan, and deferred outflows of resources on OPEB plan. Other unrestricted net position is also reduced by \$255,218,799 related to the recording of net pension liability, deferred inflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation, student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2018 are as follows:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Net Investments in Capital Assets	\$ 706,756,462	\$ 69,373,592	\$ 40,962,379	\$ 735,167,675
Restricted Net Position	32,661,316	282,436,984	292,343,341	22,754,959
Unrestricted Net Position	(552,877,385)	672,695,459	679,188,898	(559,370,824)
Total Net Position	<u>\$ 186,540,393</u>	<u>\$ 1,024,506,035</u>	<u>\$ 1,012,494,618</u>	<u>\$ 198,551,810</u>

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$6,725 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

For the current year, the University did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2018. The University had no other significant unearned outstanding construction or renovation contracts.

Note 13 Leases

Lease Obligations

The University is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to capital leases for fiscal year 2018 were \$10,109,417 and \$12,812,747, respectively. Interest rates range up to 7.362%.

The University has \$194,254,126 in outstanding lease obligations due to component units. Component units have \$194,254,126 in investment in capital lease receivables due from the University.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2018:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2018	Outstanding Balance per Lease Schedules at June 30, 2018
	(+)	(-)	(=)	
Leased Equipment	\$ 2,286,008	\$ 484,408	\$ 1,801,600	\$ 1,379,019
Leased Buildings and Building Improvements	318,623,391	81,559,394	237,063,997	226,870,948
Total Assets Held Under Capital Lease	<u>\$ 320,909,399</u>	<u>\$ 82,043,802</u>	<u>\$ 238,865,597</u>	<u>\$ 228,249,967</u>

The following schedule lists the pertinent information for each of the University's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal	
Alpharetta Center	Georgia State University Foundation	\$ 11,500,373	19 years	Mar 2000	Oct, 2018	\$ 450,259	(1)
Lofts Housing	Georgia State University Foundation	39,965,234	27 years	Jan 2005	Aug, 2032	31,657,509	(1)
Student Recreation Center	Georgia State University Foundation	29,442,679	18 years	Aug 2001	Sep, 2018	862,436	(1)
Rialto Center	Georgia State University Foundation	1,041,646	35 years	Dec 2009	Nov, 2044	959,313	(1)
Petit Science Center	GSU Research Foundation	85,853,469	29 years	May 2010	Jun, 2039	72,389,919	(1)
SunTrust Tower	Georgia State University Foundation	52,689,804	29 years	Jun 2007	Jun, 2036	44,730,905	(1)
SunTrust Parking Deck	Georgia State University Foundation	12,793,580	29 years	Jun 2007	Jun, 2036	11,016,007	(1)
Newton Academic Building	Georgia State University Foundation	22,682,812	28 years	Jun 2007	May, 2035	15,259,600	(1)
Newton Learning Center	Georgia State University Foundation	12,754,177	29 years	Aug 2009	Jun, 2038	8,184,822	(1)
Clarkston International Center	Georgia State University Foundation	3,048,768	29 years	Sep 2009	Jun, 2038	2,771,198	(1)
Clarkston Parking Deck	Georgia State University Foundation	8,281,580	30 years	Aug 2008	Jun, 2038	7,925,638	(1)
Clarkston Student Success Center	Georgia State University Foundation	6,015,435	29 years	Mar 2009	Jun, 2038	5,599,378	(1)
Decatur Student Success Center	Georgia State University Foundation	9,002,865	29 years	May 2009	Jun, 2038	8,313,594	(1)
Dunwoody Parking Deck	Georgia State University Foundation	8,436,012	30 years	Aug 2008	Jun, 2038	8,073,432	(1)
Dunwoody Student Success Center	Georgia State University Foundation	9,358,859	29 years	Apr 2009	Jun, 2038	8,676,938	(1)
Various Copiers	Various vendors	2,286,008	3 to 5 years	Oct 2011	Jun, 2023	1,379,019	
Total Leases		<u>\$ 315,153,301</u>				<u>\$ 228,249,967</u>	

(1) These capital leases are related party transactions.

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

Operating Leases

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2018 was \$7,123,899.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2019	\$ 23,802,738	\$ 6,642,032
2020	21,532,245	5,511,069
2021	21,323,626	5,558,702
2022	21,252,287	4,762,726
2023	21,269,535	4,887,027
2024 through 2028	107,354,945	5,548,718
2029 through 2033	106,087,207	663,580
2034 through 2038	74,109,221	663,580
2039 through 2043	396,520	663,580
2044 through 2048	112,348	663,580
2049 through 2053	—	530,864
Total Minimum Lease Payments	397,240,672	\$ 36,095,458
Less: Interest	140,568,607	
Less: Executory Costs	28,422,098	
Principal Outstanding	\$ 228,249,967	

Note 14 Retirement Plans

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

The significant retirement plans that the 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.

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

General Information about the Teachers Retirement System

Plan description

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

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The University's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the University payroll. The University's contributions to TRS totaled \$33,099,169 for the year ended June 30, 2018.

General Information about the Employees' Retirement System

Plan description

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

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$234,157 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2018, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the University's TRS proportion was 1.632453%, which was an increase of 0.010226% from its proportion measured as of June 30, 2016. At June 30, 2017, the University's ERS proportion was 0.040168%, which was an increase of 0.001211% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$33,674,092 for TRS and \$409,384 for ERS. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,348,895	\$ 1,144,986	\$ 17,876	\$ 13
Changes of assumptions	6,650,826	—	3,714	—
Net difference between projected and actual earnings on pension plan investments	—	2,087,875	—	4,062
Changes in proportion and differences between contributions and proportionate share of contributions	3,048,685	1,457,949	100,539	—
Contributions subsequent to the measurement date	33,099,169	—	234,157	—
Total	<u>\$ 54,147,575</u>	<u>\$ 4,690,810</u>	<u>\$ 356,286</u>	<u>\$ 4,075</u>

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	\$ (1,541,326)	\$ 69,596
2020	\$ 16,691,756	\$ 76,399
2021	\$ 8,448,047	\$ 18,313
2022	\$ (7,459,068)	\$ (46,254)
2023	\$ 218,187	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and

four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives	—%	5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution

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

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

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

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 497,909,119	\$ 303,396,418	\$ 143,161,672

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 2,302,579	\$ 1,631,357	\$ 1,058,784

Pension plan fiduciary net position

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

B. Defined Contribution Plan:

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 (Board). 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. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2018, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$16,159,613 (9.24%) and \$10,494,811 (6.00%), respectively.

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

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

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

The University 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 O.C.G.A § 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 16 Contingencies

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

Litigation, claims and assessments filed against the University, 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, 2018.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The University's membership in the Plan consisted of the following at June 30, 2018:

Active Employees	5,500
Retirees or Beneficiaries Receiving Benefits	1,517
Retirees Receiving Life Insurance Only	328
	<hr/>
Total	7,345

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible

retirees and the retiree rate was approximately 15%. With regard to life insurance, the employer covers the total premium 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 retiree.

For fiscal year 2018, the University contributed \$16,198,447 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the University's proportion was 10.259477%, which was a decrease of (0.085743)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of \$30,508,945. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,505,996	\$ —
Changes of assumptions	—	29,645,368
Net difference between projected and actual earnings on OPEB plan investments	13,640	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	2,997,712
Contributions subsequent to the measurement date	16,198,447	—
Total	<u>\$ 26,718,083</u>	<u>\$ 32,643,080</u>

The University's contributions subsequent to the measurement date of \$16,198,447 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2019	\$ (4,468,728)
2020	\$ (4,468,728)
2021	\$ (4,468,728)
2022	\$ (4,468,728)
2023	\$ (4,248,532)

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2016 2.85% from Bond Buyer Interest Rate as of 6/30/2017 3.58% from Bond Buyer General Inflation 2.50% Salary Growth 3.00% Salary Scale 4.00%
Mortality Rates	Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.3%
Medicare Eligible	7.3%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.7%
Year Ultimate Trend is Reached	2031 for Pre-Medicare Eligible, 2072 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Expected Return	Target Allocation
Cash Equivalents	2.6%	Less than 5%
Fixed Income		60% to 70%
Domestic Fixed Income (Corporate Long Term)	4.2%	
Domestic Fixed Income (Corporate Short Term)	3.5%	
International Fixed Income	4.9%	
Equity Allocation		30% to 40%
Domestic Equity (Large Cap)	6.5%	
International Equity	7.3%	

Discount rate

The Plan's projected fiduciary net position at the end of 2018 is \$0, based on the valuation completed for the fiscal year ending June 30, 2017. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2018. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017. Instead, a yield or index rate for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.58% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate (3.58%):

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
Proportionate Share of the Net OPEB Liability	\$ 517,173,911	\$ 432,921,805	\$ 367,241,527

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 365,186,619	\$ 432,921,805	\$ 522,412,268
Pre-Medicare Eligible	6.3% decreasing to 3.5%	7.3% decreasing to 4.5%	8.3% decreasing to 5.5%
Medicare Eligible	6.3% decreasing to 3.7%	7.3% decreasing to 4.7%	8.3% decreasing to 5.7%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at www.usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2018 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 137,560,860	\$ 39,905,432	\$ 81,504,288	\$ 1,094,468	\$ 1,971,792
Research	49,522,292	49,011,636	15,791,469	—	2,456,971
Public Service	1,538,904	9,693,373	3,212,094	—	618,919
Academic Support	12,698,538	40,332,550	16,381,968	—	751,159
Student Services	983,911	33,159,906	9,906,803	136	547,010
Institutional Support	969,690	25,751,715	2,298,093	1,165,333	201,555
Plant Operations and Maintenance	—	28,143,862	9,218,658	—	56,652
Scholarships and Fellowships	—	55,241	850	—	—
Auxiliary Enterprises	2,100	22,984,971	6,562,584	—	412,033
Total Operating Expenses	\$ 203,276,295	\$ 249,038,686	\$ 144,876,807	\$ 2,259,937	\$ 7,016,091

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 3,614,454	\$ 24,101	\$ 15,963,488	\$ 9,026,625	\$ 290,665,508
Research	1,301,500	97,036	43,669,379	14,133,183	175,983,466
Public Service	159,580	25,585	6,957,585	148,652	22,354,692
Academic Support	24,652	1,407,507	28,003,611	10,714,405	110,314,390
Student Services	1,356,476	59,387	11,876,684	1,687,840	59,578,153
Institutional Support	1,932,565	38,792	10,429,062	2,709,278	45,496,083
Plant Operations and Maintenance	—	17,171,852	13,701,483	9,879,849	78,172,356
Scholarships and Fellowships	48,802,180	—	1,014,392	—	49,872,663
Auxiliary Enterprises	2,963,036	2,039,399	58,022,680	5,880,145	98,866,948
Total Operating Expenses	\$ 60,154,443	\$ 20,863,659	\$ 189,638,364	\$ 54,179,977	\$ 931,304,259

Note 19 Component Units

Georgia State University Athletic Association, Inc.

The Georgia State University Athletic Association, Inc. (GSUAA) administers Georgia State University's intercollegiate athletics program, including fund-raising to support scholarships. During the year ended June 30, 2018, the GSUAA distributed approximately \$11 million to the Georgia State University for athletic scholarship support and other payments that were either expense reimbursements or support for Georgia State University's intercollegiate athletics program. GSUAA reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

Georgia State University Foundation, Inc.

The Georgia State University Foundation, Inc. and Subsidiaries (GSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Georgia State University in support of its programs. During the year ended June 30, 2018, the GSUF distributed \$19,013,313 to Georgia State University in support of capital outlay projects, scholarships and other supporting activities.

Georgia State University Research Foundation Inc. and Affiliates

The Georgia State University Research Foundation (Research Foundation) is a legally separate, tax-exempt component unit of Georgia State University (University) and was established to contribute to the scientific, literary, educational, and charitable functions of the University in securing gifts, contributions, and grants from individuals, private organizations, and public agencies, and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the various colleges, schools, departments or other units of the University. Most of the research grants awarded to the Research Foundation are subcontracted to the University, which is responsible for the fiscal administration of the grants. The ten member board of the Research Foundation is self-perpetuating and consists of faculty and administrators of the University. Because the resources held by the Research Foundation can only be used by or for the benefit of the University, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Research Foundation is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. The Research Foundation's fiscal year is July 1 through June 30.

Combined component unit's investments are comprised of the following amounts at June 30, 2018:

	<u>Fair Value</u>
Investment type	
Debt Securities	
Bond Securities	\$ 36,695,641
Money Market Mutual Funds	28,717,801
Other Investments	
Equity Securities - Domestic	55,062,468
Equity Securities - International	57,296,565
Real Estate Investment Trusts	5,511,505
Other	<u>55,895,848</u>
	239,179,828
Investment Pools	
Balanced Income Fund	2,095,510
Diversified Fund	<u>4,738,572</u>
Total Investments	<u>\$ 246,013,910</u>

Combined component unit's endowments are comprised of the following amounts at June 30, 2018:

	Unrestricted/ Quasi Endowment	Temporarily Restricted/ Term Endowment	Permanently Restricted/ True Endowment	Total
Beginning	\$ 34,553,059	\$ —	\$ 128,335,053	\$ 162,888,112
Contributions	1,949,048	—	4,638,223	6,587,271
Net realized and unrealized gains	1,472,013	—	5,344,550	6,816,563
Appropriation of endowment assets for expenditure	(1,326,180)	—	(5,045,656)	(6,371,836)
Transfers to comply with donor intent	176,195	—	(1,459,593)	(1,283,398)
Other	345,844	—	—	345,844
Ending	<u>\$ 37,169,979</u>	<u>\$ —</u>	<u>\$ 131,812,577</u>	<u>\$ 168,982,556</u>

Combined amounts due to component units related to direct financing lease activity as of June 30, 2018 is as follows:

	Total
Year Ending June 30:	
2019	\$ 17,417,264
2020	16,220,395
2021	16,246,644
2022	16,312,776
2023	16,312,700
2024 through 2028	81,866,232
2029 through 2033	82,280,945
2034 through 2038	67,219,386
Total Minimum Lease Payments to be Received	313,876,342
Less: Unearned Income	(119,645,932)
Net Investment in Direct Financing Lease Receivable	<u>\$ 194,230,410</u>

Combined component unit's capital assets are comprised of the following amounts at June 30, 2018:

Capital Assets not being Depreciated:	
Land	\$ 10,485,713
Total Capital Assets not being Depreciated	<u>10,485,713</u>
Capital Assets being Depreciated:	
Building and Building Improvements	16,389,248
Facilities and Other Improvements	6,232,631
Equipment	1,615,473
Total Capital Assets being Depreciated/Amortized	<u>24,237,352</u>
Less Total Accumulated Depreciation/Amortization	<u>10,588,771</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>13,648,581</u>
Capital Assets, Net	<u>\$ 24,134,294</u>

Combined component unit's long-term liabilities are comprised of the following amounts at June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Lease Purchase Obligation (Capital Lease)	\$ 1,202,400	\$ 33,970	\$ 584,500	\$ 651,870	\$ 636,729
Liabilities under Split Interest Agreement	1,690,023	24,773	—	1,714,796	—
Interest Rate Swap	10,881,060	—	10,881,060	—	—
Revenue/Mortgage Bonds Payable	210,195,000	122,054,500	136,074,500	196,175,000	5,145,000
Bond - Premium	8,909,939	14,244,480	418,934	22,735,485	—
Bond - (Discount)	(2,516,125)	(777,161)	(1,661,469)	(1,631,817)	—
Total Long Term Liabilities	\$ 230,362,297	\$ 135,580,562	\$ 146,297,525	\$ 219,645,334	\$ 5,781,729

Combined component unit's capital lease obligations are comprised of the following amounts at June 30, 2018:

Year ending June 30:	
2019	\$ 652,177
2020	10,827
2021	6,333
Total minimum lease payments	669,337
Less: Interest	17,467
Less: Executory costs (if paid)	—
Principal Outstanding	\$ 651,870

Combined component unit's bonds payable are comprised of the following amounts at June 30, 2018:

	Principal	Interest	Total
Year ending June 30:			
2019	\$ 5,145,000	\$ 8,466,277	\$ 13,611,277
2020	6,420,000	8,178,024	14,598,024
2021	6,865,000	7,910,829	14,775,829
2022	7,170,000	7,624,177	14,794,177
2023	7,545,000	7,288,938	14,833,938
2024 through 2028	43,735,000	30,105,063	73,840,063
2029 through 2033	55,110,000	18,772,613	73,882,613
2034 through 2038	59,110,000	6,464,664	65,574,664
2039 through 2043	5,075,000	76,125	5,151,125
	196,175,000	94,886,710	291,061,710
Bond Premium	22,735,485	—	22,735,485
Bond (Discount)	(1,631,817)	—	(1,631,817)
Total	\$ 217,278,668	\$ 94,886,710	\$ 312,165,378



REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
FOR THE LAST TEN YEARS

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2018	\$ 234,157	\$ 234,157	\$ —	\$ 931,300	25.14%
	6/30/2017	\$ 251,578	\$ 251,578	\$ —	\$ 1,018,945	24.69%
	6/30/2016	\$ 221,130	\$ 221,130	\$ —	\$ 894,538	24.72%
	6/30/2015 (1)	\$ 133,543	\$ 133,543	\$ —	\$ 608,119	21.96%
	6/30/2014 (1)	\$ 117,257	\$ 117,257	\$ —	\$ 634,086	18.49%
	6/30/2013 (1)	\$ 99,182	\$ 99,182	\$ —	\$ 681,077	14.56%
	6/30/2012 (1)	\$ 95,363	\$ 95,363	\$ —	\$ 819,975	11.63%
	6/30/2011 (1)	\$ 70,164	\$ 70,164	\$ —	\$ 674,005	10.41%
	6/30/2010 (1)	\$ 74,358	\$ 74,358	\$ —	\$ 714,294	10.41%
	6/30/2009 (1)	\$ 89,785	\$ 89,785	\$ —	\$ 827,181	10.85%
Teachers Retirement System	6/30/2018	\$ 33,099,169	\$ 33,099,169	\$ —	\$ 196,901,658	16.81%
	6/30/2017	\$ 26,762,188	\$ 26,762,188	\$ —	\$ 187,541,613	14.27%
	6/30/2016	\$ 25,340,624	\$ 25,340,624	\$ —	\$ 177,579,706	14.27%
	6/30/2015 (1)	\$ 22,546,428	\$ 22,546,428	\$ —	\$ 171,455,725	13.15%
	6/30/2014 (1)	\$ 20,332,145	\$ 20,332,145	\$ —	\$ 163,379,560	12.44%
	6/30/2013 (1)	\$ 18,613,705	\$ 18,613,705	\$ —	\$ 163,141,030	11.41%
	6/30/2012 (1)	\$ 17,869,959	\$ 17,869,959	\$ —	\$ 173,832,286	10.28%
	6/30/2011 (1)	\$ 17,023,882	\$ 17,023,882	\$ —	\$ 165,601,965	10.28%
	6/30/2010 (1)	\$ 15,679,821	\$ 15,679,821	\$ —	\$ 160,983,789	9.74%
	6/30/2009 (1)	\$ 14,520,339	\$ 14,520,339	\$ —	\$ 156,469,171	9.28%

(1) These amounts include the combined total for Georgia State University and Georgia Perimeter College

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FOUR FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2018	0.040168%	\$ 1,631,357	\$ 1,018,945	160.10%	76.33%
	6/30/2017	0.040000%	\$ 1,842,830	\$ 894,538	206.01%	72.34%
	6/30/2016	0.030000%	\$ 1,087,922	\$ 608,119	178.90%	76.20%
	6/30/2015 (1)	0.030000%	\$ 1,050,436	\$ 634,086	165.66%	77.99%
Teachers Retirement System	6/30/2018	1.632453%	\$ 303,396,418	\$ 187,541,613	161.78%	79.33%
	6/30/2017	1.622000%	\$ 334,683,518	\$ 177,579,706	188.47%	76.06%
	6/30/2016	1.630000%	\$ 248,239,461	\$ 171,455,725	144.78%	81.44%
	6/30/2015 (1)	1.610000%	\$ 203,148,832	\$ 163,379,560	124.34%	84.03%

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

(1) These amounts include the combined total for Georgia State University and Georgia Perimeter College

**GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Changes of assumptions

Employees' Retirement System:

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increase.

Teachers Retirement System:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual and anticipated experience. On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updated to mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025, with the Society of Actuaries projection scale BB (set forward one year for males).

**GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST TWO YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2018	\$ 16,198,447	\$ 16,198,447	\$ —	\$ 381,228,465	4.25%
6/30/2017	\$ 10,216,788	\$ 10,216,788	\$ —	\$ 355,368,885	2.87%

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

**GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018***

<u>Year Ended</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
6/30/2018	10.26%	432,921,805	355,368,885	121.82%	0.19%

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

**GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Assumptions Since Prior Valuation

Expected claim costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, termination, retirement, and disabled mortality tables were updated to reflect the current Teachers Retirement System of Georgia methodology.



Supplementary Information

GEORGIA STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2018
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	121,294,809.62
Accounts Receivable		
Federal Financial Assistance		16,136,964.67
Other		34,314,634.27
Prepaid Expenditures		718,618.63
Inventories		130,935.63
Other Assets		5,781,199.95
		<hr/>
Total Assets	\$	178,377,162.77
		<hr/>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	3,056,405.71
Encumbrance Payable		29,372,425.38
Accounts Payable		13,579,328.91
Unearned Revenue		41,342,078.91
Other Liabilities		2,052,093.51
		<hr/>
Total Liabilities		89,402,332.42
		<hr/>

Fund Balances

Reserved		
Capital Outlay		3,309,000.00
Department Sales and Services		12,352,334.85
Indirect Cost Recoveries		49,382,940.00
Technology Fees		5,957,159.84
Restricted/Sponsored Funds		2,160,672.57
Uncollectible Accounts Receivable		6,612,592.08
Inventories		210,335.81
Tuition Carry - Forward		8,684,259.74
Unreserved		
Surplus		305,535.46
		<hr/>
Total Fund Balances		88,974,830.35
		<hr/>
Total Liabilities and Fund Balances	\$	178,377,162.77
		<hr/>

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
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Funds Available Compared to Budget				
	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ 65,000.00	\$ 65,000.00	\$ —
Total Public Service / Special Funding Initiatives	—	—	65,000.00	65,000.00	—
Teaching					
State Appropriation					
State General Funds	268,793,104.00	268,793,104.00	268,069,975.00	268,069,975.00	—
Other Funds	725,618,871.00	725,618,871.00	844,529,213.00	650,751,987.69	68,074,193.26
Total Teaching	994,411,975.00	994,411,975.00	1,112,599,188.00	918,821,962.69	68,074,193.26
Total Operating Activity	\$ 994,411,975.00	\$ 994,411,975.00	\$ 1,112,664,188.00	\$ 918,886,962.69	\$ 68,074,193.26

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
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ 65,000.00	\$ —	\$ 65,000.00	\$ —	\$ —
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	65,000.00	—	65,000.00	—	—
Teaching						
State Appropriation						
State General Funds	—	268,069,975.00	—	268,069,975.00	—	—
Other Funds	—	718,826,180.95	(125,703,032.05)	637,252,163.64	207,277,049.36	81,574,017.31
Total Teaching	—	986,896,155.95	(125,703,032.05)	905,322,138.64	207,277,049.36	81,574,017.31
Total Operating Activity	\$ —	\$ 986,961,155.95	\$ (125,703,032.05)	\$ 905,387,138.64	\$ 207,277,049.36	\$ 81,574,017.31

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 CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Teaching					
State Appropriation					
State General Funds	\$ 181,548.06	\$ —	\$ (181,548.06)	\$ 276,691.64	\$ —
Other Funds	68,122,847.32	(68,074,193.26)	(48,654.06)	208,642.39	92,551.12
Total Teaching	68,304,395.38	(68,074,193.26)	(230,202.12)	485,334.03	92,551.12
Total Operating Activity	68,304,395.38	(68,074,193.26)	(230,202.12)	485,334.03	92,551.12
Prior Year Reserves					
Not Available for Expenditure					
Inventories	298,235.30	—	—	—	(87,899.49)
Uncollectible Accounts Receivable	6,617,243.71	—	—	—	(4,651.63)
Budget Unit Totals	\$ 75,219,874.39	\$ (68,074,193.26)	\$ (230,202.12)	\$ 485,334.03	\$ —

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 CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Early Return of Fiscal Year 2018 Surplus	Excess (Deficiency) of Funds Available Over/Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Teaching						
State Appropriation						
State General Funds	\$ —	\$ —	\$ 276,691.64	\$ —	\$ 276,691.64	\$ 276,691.64
Other Funds	—	81,574,017.31	81,875,210.82	81,846,367.00	28,843.82	81,875,210.82
Total Teaching	—	81,574,017.31	82,151,902.46	81,846,367.00	305,535.46	82,151,902.46
Total Operating Activity	—	81,574,017.31	82,151,902.46	81,846,367.00	305,535.46	82,151,902.46
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	210,335.81	210,335.81	—	210,335.81
Uncollectible Accounts Receivable	—	—	6,612,592.08	6,612,592.08	—	6,612,592.08
Budget Unit Totals	\$ —	\$ 81,574,017.31	\$ 88,974,830.35	\$ 88,669,294.89	\$ 305,535.46	\$ 88,974,830.35
		Capital Outlay		\$ 3,309,000.00	\$ —	\$ 3,309,000.00
		Departmental Sales and Services		12,352,334.85	—	12,352,334.85
		Indirect Cost Recovery		49,382,940.00	—	49,382,940.00
		Technology Fees		5,957,159.84	—	5,957,159.84
		Restricted/Sponsored Funds		2,160,672.57	—	2,160,672.57
		Tuition Carry-Forward		8,684,259.74	—	8,684,259.74
		Uncollectible Accounts Receivable		6,612,592.08	—	6,612,592.08
		Inventories		210,335.81	—	210,335.81
		Surplus		—	305,535.46	305,535.46
				\$ 88,669,294.89	\$ 305,535.46	\$ 88,974,830.35

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.



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