



2017

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017
(Including Independent Auditor's Report)

GEORGIA STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2017

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OFFICE OF THE SENIOR VICE PRESIDENT FOR FINANCE & ADMINISTRATION

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Letter of Transmittal

August 21, 2017

To: President Mark P. Becker
Georgia State University,

The Annual Financial Report (AFR) for Georgia State University (the University) includes the financial statements for the year ended June 30, 2017, 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, 2017.

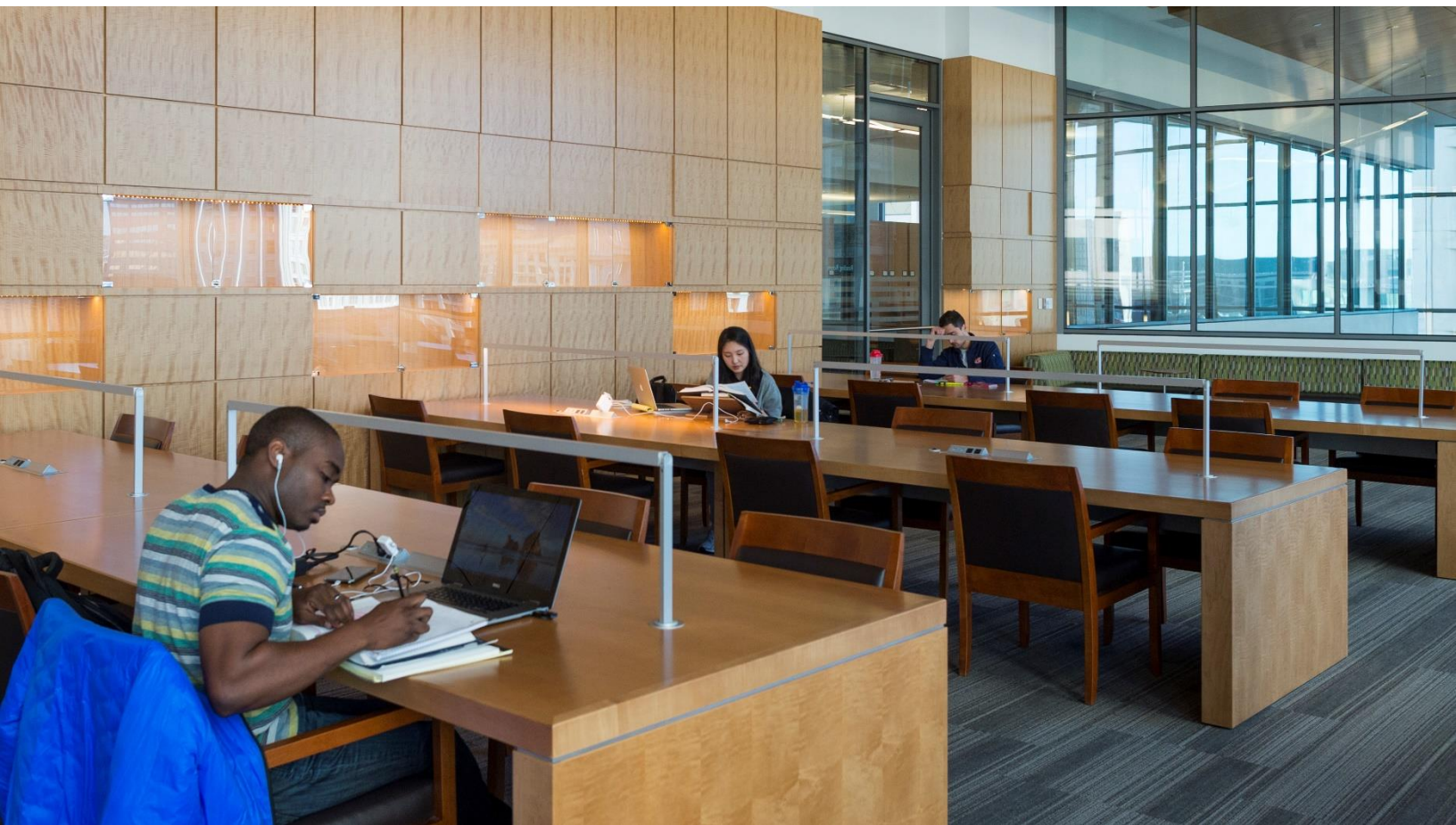
Georgia State University's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the University's financial position, revenues, expenses and other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

The University's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. Georgia State 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.

Respectfully submitted,

Dr. Jerry J. Rackliffe
Senior Vice President
Finance and Administration

FINANCIAL SECTION





DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Nathan Deal, 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 units 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, 2017, 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. The other auditors did not audit the discretely presented component units' financial statements 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 reports 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, 2017, 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 described 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 aggregate discretely presented component units of the State of Georgia that are attributable to the University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2017, 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 2017, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

As described in Note 1 to the financial statements, in 2017, the beginning net position for the University was restated to correct a misstatement and the beginning net position for the University's discretely presented component units was 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, Schedule of Contributions for Defined Benefit Pension Plan, Schedules of Proportionate Share of the Net Pension Liability and Notes to the Required Supplementary Information 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 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 the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The accompanying supplementary information is management's responsibility 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, and the procedures performed as described above, the 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 will issue our report 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 at a future date. 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.

Respectfully submitted,



Greg S. Griffin
State Auditor

December 18, 2017

GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University (the University) is one of the 28 institutions of higher education of the University System of Georgia. The University was founded in 1913 and has become recognized as one of the Southeast's major public research institutions. It is among the top 100 public universities for doctoral degrees awarded. The University has more than 250 degree programs with 100 fields of study that are offered at the associate's, baccalaureate's, master's, specialist and doctoral levels. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 50,000 students each year.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2017	50,969	42,850
FY 2016	52,920	43,763
FY 2015	53,742	44,541

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2017. 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 2017 and fiscal year 2016. However, the comparative data for fiscal year 2016 does not reflect the effects of the restatement of July 1, 2016 net position. The restatement decreased the University's beginning net position by \$1,329,198. See Note 1 in the Notes to the Financial Statements for more information about the restatement of the July 1, 2016 net position.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2017 and includes all assets, liabilities, both current and noncurrent, deferred outflows of resources and deferred inflows of resources. The differences between current and non-current 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.

CONDENSED STATEMENT OF NET POSITION		June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
ASSETS					
Current Assets	\$	253,410,632	\$ 237,343,997	\$ 16,066,635	6.77 %
Capital Assets, Net		970,886,936	927,409,257	43,477,679	4.69 %
Other Assets		8,461,307	8,250,256	211,051	2.56 %
TOTAL ASSETS		1,232,758,875	1,173,003,510	59,755,365	5.09 %
DEFERRED OUTFLOWS					
		89,512,601	30,877,505	58,635,096	189.90 %
LIABILITIES					
Current Liabilities		92,560,915	83,635,698	8,925,217	10.67 %
Non-Current Liabilities		583,953,543	513,526,656	70,426,887	13.71 %
TOTAL LIABILITIES		676,514,458	597,162,354	79,352,104	13.29 %
DEFERRED INFLOWS					
		34,680,322	44,120,565	(9,440,243)	(21.40)%
NET POSITION					
Net Investment in Capital Assets		706,756,462	650,933,850	55,822,612	8.58 %
Restricted, Non-Expendable		105,317	97,689	7,628	7.81 %
Restricted, Expendable		32,555,999	23,840,079	8,715,920	36.56 %
Unrestricted (Deficit)		(128,341,082)	(112,273,522)	(16,067,560)	(14.31)%
TOTAL NET POSITION	\$	611,076,696	\$ 562,598,096	\$ 48,478,600	8.62 %

Total assets increased \$59,755,365 which was due to an increase in current assets of \$16,066,635, an increase in net capital assets of \$43,477,679, and an increase in other assets of \$211,051. The overall decrease in unrestricted cash and investments was mostly driven by spending for asset acquisitions, maintenance and renovation costs.

Total deferred outflows of resources increased by \$58,635,096 which was due to the University's proportionate share of the actuarially determined deferred loss on defined benefit pension plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities increased \$79,352,104 which was due to an increase in current liabilities of \$8,925,217 and an increase in non-current liabilities of \$70,426,887. Accounts payable increased \$1,188,217, which was largely attributable to amounts due at the end of the fiscal year for capital projects. Advances increased \$341,802, which was attributable to prepaid housing fees related to an increase in housing occupancy for the summer semester. Net pension liability increased \$87,198,965 related to the University's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

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 an increase in net position of \$48,478,600. \$33 million dollars of this increase is due to the purchase and renovation of GSU Stadium (formerly Turner Field).

Total deferred inflows of resources decreased by \$9,440,243 which was due to the University's proportionate share of the actuarially determined deferred gain on defined benefit pension plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

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	June 30, 2017	June 30, 2016 ⁽¹⁾	Increase/ (Decrease)	% Change
Operating Revenue	\$ 522,670,885	\$ 494,350,671	\$ 28,320,214	5.73%
Operating Expense	857,489,973	824,426,709	33,063,264	4.01%
Operating Income/Loss	(334,819,088)	(330,076,038)	(4,743,050)	(1.44)%
Nonoperating Revenues	347,159,606	332,359,979	14,799,627	4.45%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	12,340,518	2,283,941	10,056,577	440.32%
Other Revenues, Expenses, Gains, Losses and Special Items	37,467,260	23,600,579	13,866,681	58.76%
Change in Net Position	49,807,778	25,884,520	23,923,258	92.42%
Net Position at beginning of year, restated	561,268,918	536,713,576	24,555,342	4.58%
Net Position at End of Year	\$ 611,076,696	\$ 562,598,096	\$ 48,478,600	8.62%

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are presented in the tables and charts that follow.

Revenues

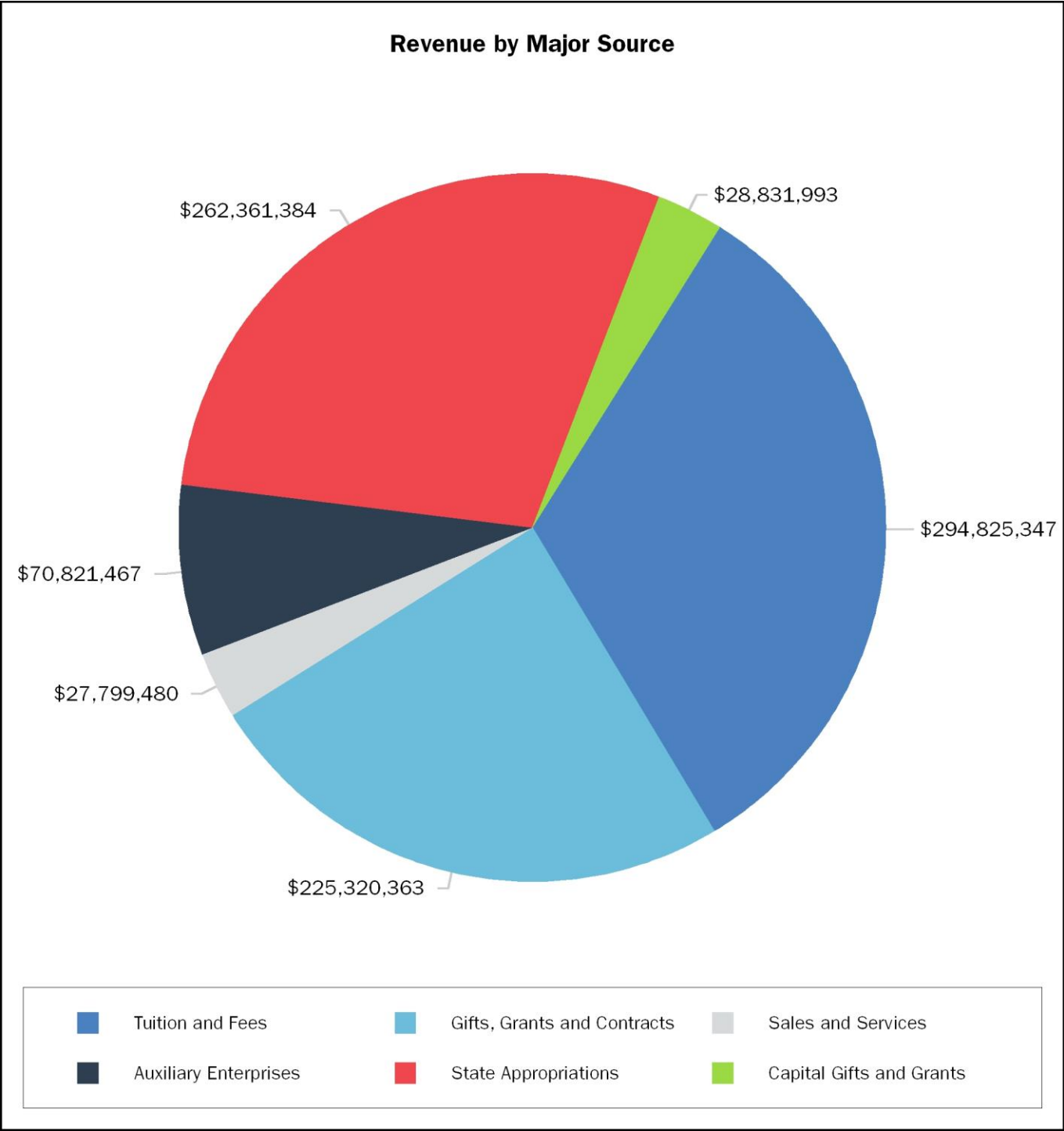
For the years ended June 30, 2017 and June 30, 2016, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2017	June 30, 2016 ⁽¹⁾	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 294,825,347	\$ 292,578,096	\$ 2,247,251	0.77 %
Grants and Contracts	126,703,528	102,472,659	24,230,869	23.65 %
Sales and Services	27,799,480	23,234,155	4,565,325	19.65 %
Auxiliary Enterprises	70,821,467	72,038,763	(1,217,296)	(1.69) %
Other Operating Revenues	2,521,063	4,026,998	(1,505,935)	(37.40) %
Total Operating Revenues	522,670,885	494,350,671	28,320,214	5.73 %
State Appropriations	262,361,384	244,170,135	18,191,249	7.45 %
Grants and Contracts	97,925,948	104,292,929	(6,366,981)	(6.10) %
Gifts	690,887	6,649,537	(5,958,650)	(89.61) %
Investment Income	1,344,910	743,705	601,205	80.84 %
Other Nonoperating Revenues	(602,586)	(6,103,649)	5,501,063	90.13 %
Total Nonoperating Revenues	361,720,543	349,752,657	11,967,886	3.42 %
State Capital Gifts and Grants	12,173,054	22,870,249	(10,697,195)	(46.77) %
Other Capital Gifts and Grants	16,658,939	730,330	15,928,609	2,181.02 %
Total Capital Gifts and Grants	28,831,993	23,600,579	5,231,414	22.17 %
Special Items	8,635,267	—	8,635,267	100.00 %
Total Revenues	\$ 921,858,688	\$ 867,703,907	\$ 54,154,781	6.24 %

State appropriations increased \$18,191,249 (7.45%) in fiscal 2017. Operating grants and contracts revenue increased \$24 million in fiscal 2017. Tuition and fee revenues increased \$2,247,251 (0.77%) in fiscal 2017.

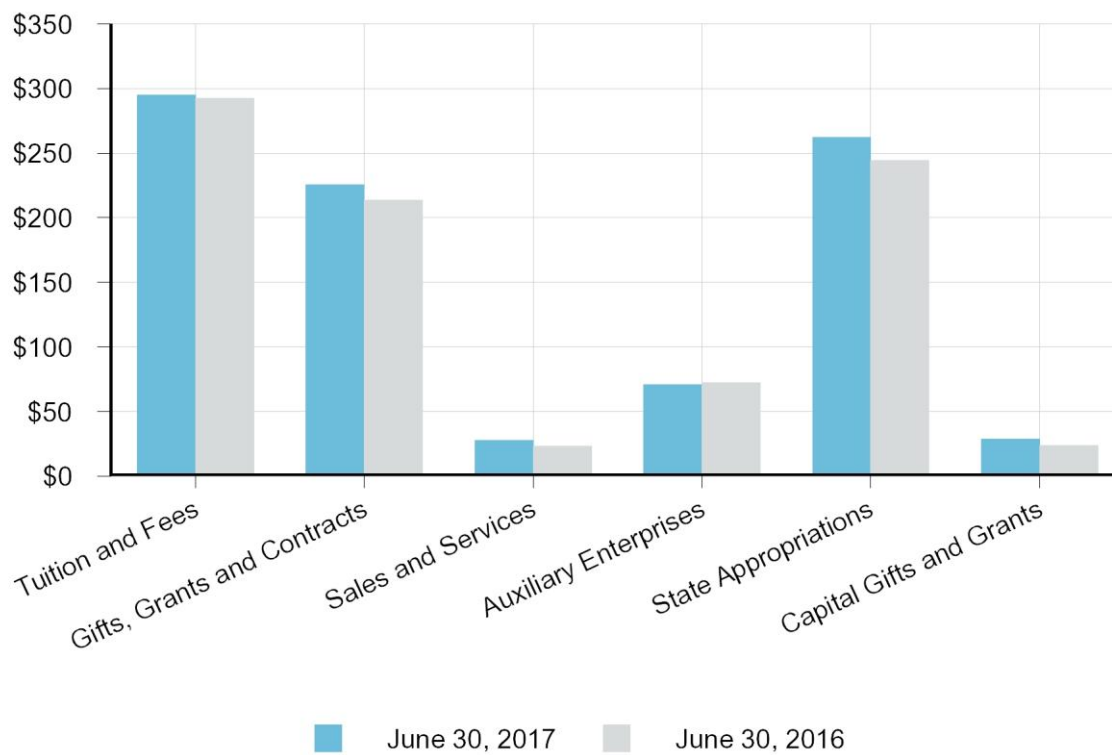
(1) The amounts listed for fiscal year 2016 were not adjusted for the restatement of beginning net position.

Revenue by source is depicted by the following chart:



Revenue by major source for the years ended June 30, 2017 and June 30, 2016 is depicted by the following chart:

Revenue Source by Major Source (in millions)



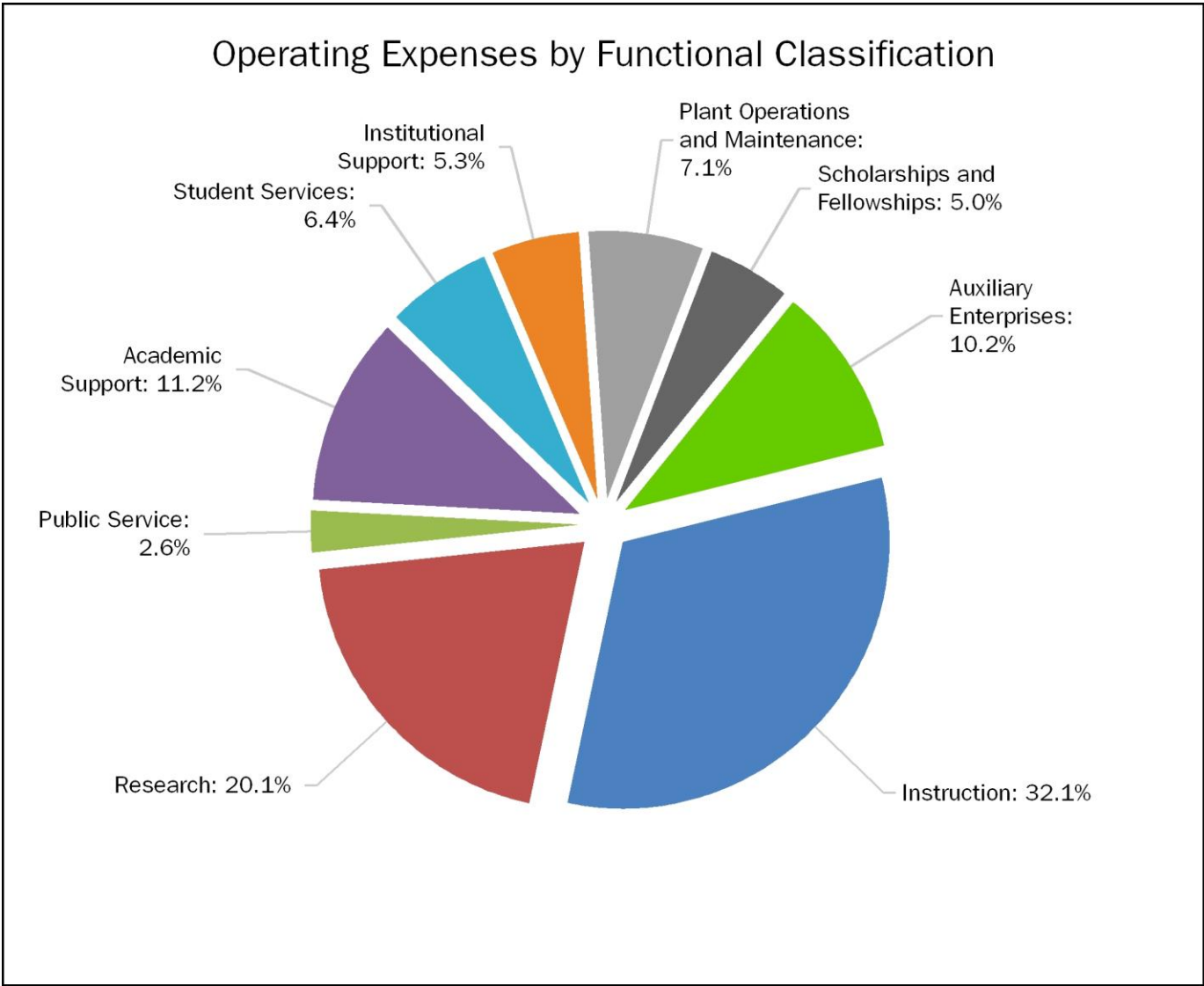
Expenses

For the years ended June 30, 2017 and June 30, 2016, expenses by functional classification were as follows:

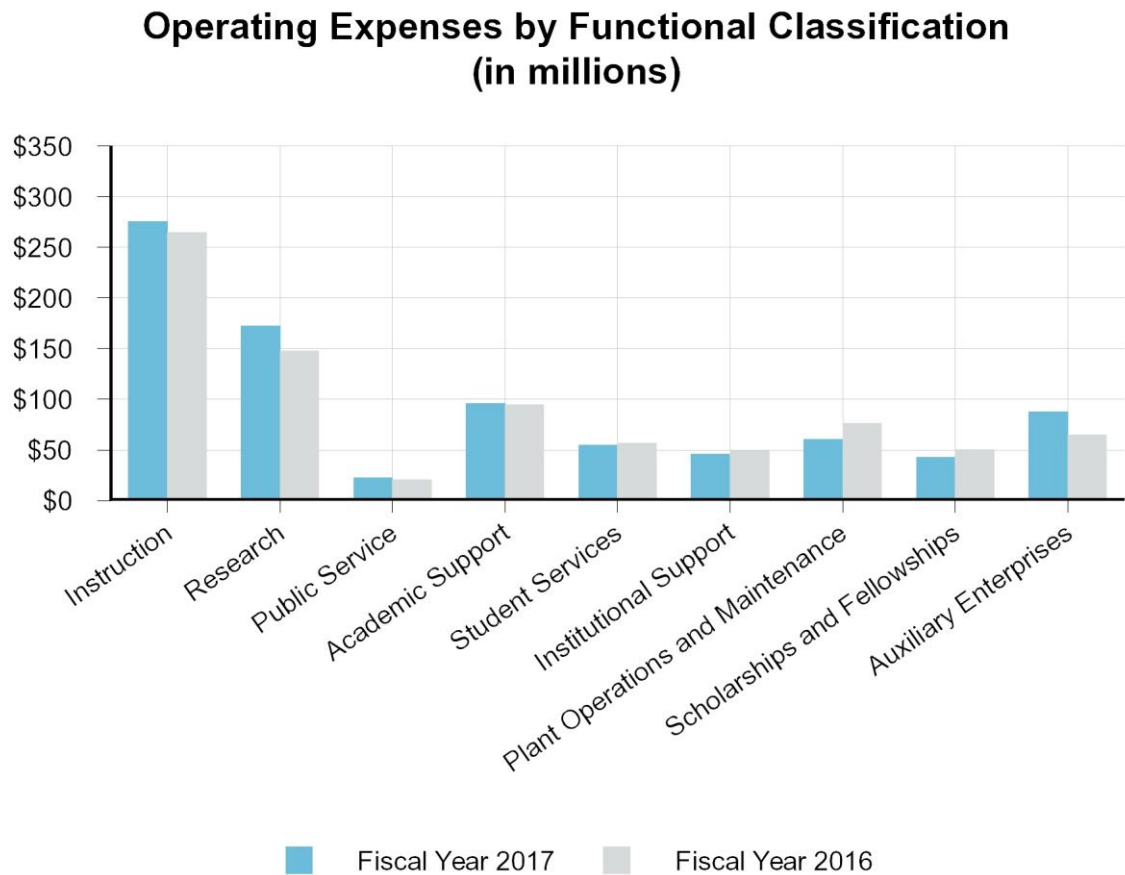
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
Instruction	\$ 275,348,949	\$ 264,359,954	\$ 10,988,995	4.16 %
Research	171,998,345	147,536,230	24,462,115	16.58 %
Public Service	22,519,365	20,800,131	1,719,234	8.27 %
Academic Support	95,995,969	94,686,134	1,309,835	1.38 %
Student Services	54,665,106	56,679,626	(2,014,520)	(3.55) %
Institutional Support	45,856,870	48,805,554	(2,948,684)	(6.04) %
Plant Operations and Maintenance	60,714,395	76,456,483	(15,742,088)	(20.59) %
Scholarships and Fellowships	42,709,992	50,517,369	(7,807,377)	(15.45) %
Auxiliary Enterprises	87,680,982	64,585,228	23,095,754	35.76 %
Total Operating Expenses	857,489,973	824,426,709	33,063,264	4.01 %
Interest Expense	14,560,937	17,392,678	(2,831,741)	(16.28) %
Total Nonoperating Expenses	14,560,937	17,392,678	(2,831,741)	(16.28) %
Total Expenses	\$ 872,050,910	\$ 841,819,387	\$ 30,231,523	3.59 %

Total operating expenses were \$857,489,973 in fiscal 2017, an increase of \$33,063,264 (4.01%) when compared with fiscal 2016. The increase is primarily attributable to Auxiliaries (\$23 million) due to expenses related to the purchase and renovation of the GSU Stadium (formerly Turner Field).

The following chart depicts the fiscal 2017 operating expenses by functional classification.



Operating expenses by functional classification for the years ended June 30, 2017 and June 30, 2016 are depicted by the following chart:



Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2017 and 2016, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS		June 30, 2017	June 30, 2016
Cash Provided (Used) by:			
Operating Activities	\$	(273,172,400)	\$ (286,586,219)
Non-Capital Financing Activities		364,649,753	345,668,262
Capital and Related Financing Activities		(83,716,073)	(69,613,656)
Investing Activities		1,330,730	741,226
NET CHANGE IN CASH and CASH EQUIVALENTS	\$	9,092,010	\$ (9,790,387)
Cash and Cash Equivalents, beginning of year (restated)		190,270,244	200,060,631
CASH and CASH EQUIVALENTS, end of year	\$	199,362,254	\$ 190,270,244

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2017 and June 30, 2016 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change
Land	\$ 109,943,292	\$ 102,736,212	\$ 7,207,080	7.02 %
Capitalized Collections	293,251	290,274	2,977	1.03 %
Construction Work-in-Progress	23,039,092	50,132,057	(27,092,965)	(54.04)%
Infrastructure	21,809,812	24,144,997	(2,335,185)	(9.67)%
Building and Building Improvements	726,496,803	661,378,175	65,118,628	(9.85)%
Facilities and Other Improvements	15,068,495	15,762,425	(693,930)	(4.40) %
Equipment	38,388,626	38,409,214	(20,588)	(0.05)%
Library Collections	35,847,565	34,555,903	1,291,662	3.74 %
Capital Assets, net of accumulated depreciation	\$ 970,886,936	\$ 927,409,257	\$ 43,477,679	4.69 %

The University had a significant capital asset addition for facilities in fiscal year 2017. The purchase of the GSU Stadium (formerly Turner Field) was completed in fiscal year 2017 and the stadium is currently under renovation with amounts of \$15,592,920 and \$7,207,080 attributed to the purchase and renovation respectively.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

The University had Long-Term Liabilities of \$605,158,854 of which \$21,205,311 was reflected as current liability at June 30, 2017.

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 last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

Mark P. Becker, President
Georgia State University

Jerry J. Rackliffe, Senior Vice President
Georgia State University

FINANCIAL STATEMENTS



GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Georgia State University	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 198,846,133	\$ 15,949,282
Accounts Receivable, net		
Federal Financial Assistance	21,856,820	—
Affiliated Organizations	28,940	—
Component Units	22,139,877	—
Primary Government	—	1,864,367
Other	5,655,446	29,178,136
Investment in Capital Leases - Primary Government	—	7,433,260
Inventories	335,943	—
Prepaid Items	4,547,473	17,271,722
Other Assets	—	506,712
Total Current Assets	<u>253,410,632</u>	<u>72,203,479</u>
Non-Current Assets		
Cash and Cash Equivalents		29,059,109
Accounts Receivable, net		
Affiliated Organizations	1,632,624	—
Due From USO - Capital Liability Reserve Fund	1,414,211	—
Pledges and Contributions	—	11,930,560
Investments	—	109,017,102
Notes Receivable, net	4,779,626	—
Investment in Capital Leases - Primary Government	—	205,621,844
Other Assets	—	3,837,931
Non-current Cash (Externally Restricted)	516,121	—
Investments (Externally Restricted)	118,725	118,798,858
Capital Assets, net	<u>970,886,936</u>	<u>24,534,159</u>
Total Non-Current Assets	<u>979,348,243</u>	<u>502,799,563</u>
TOTAL ASSETS	<u>1,232,758,875</u>	<u>575,003,042</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	—	8,774,458
Deferred Loss on Defined Benefit Pension Plans	<u>89,512,601</u>	<u>—</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>89,512,601</u>	<u>8,774,458</u>

GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Georgia State University	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	19,429,207	6,369,916
Salaries Payable	3,443,866	—
Benefits Payable	6,405,859	—
Contracts Payable	8,101,938	—
Retainage Payable	1,809,144	—
Due to Component Units	1,864,367	—
Due to Primary Government	—	22,139,877
Advances (Including Tuition and Fees)	27,175,256	16,079,406
Deposits	32,985	—
Deposits Held for Other Organizations	2,678,738	2,281,025
Other Liabilities	414,244	802,593
Lease Purchase Obligations - External	1,596,836	584,500
Lease Purchase Obligations - Component Units	7,433,260	—
Revenue Bonds & Notes Payable	—	6,085,000
Compensated Absences	12,175,215	—
Total Current Liabilities	92,560,915	54,342,317
Non-Current Liabilities		
Advances (Including Tuition and Fees)	—	1,297,669
Other Liabilities	—	6,346,539
Lease Purchase Obligations - External	33,393,254	617,900
Lease Purchase Obligations - Component Units	205,621,844	—
Revenue Bonds & Notes Payable	—	210,503,814
Liabilities Under Split Interest Agreements	—	1,690,023
Interest Rate Swap	—	10,881,060
Compensated Absences	8,412,097	—
Net Pension Liability	336,526,348	—
Total Non-Current Liabilities	583,953,543	231,337,005
TOTAL LIABILITIES	676,514,458	285,679,322
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Debt Refunding	6,163,284	—
Deferred Funds Received in Advance of Timing Requirements	21,062,136	17,264,201
Deferred Gain on Defined Benefit Pension Plans	7,454,902	—
TOTAL DEFERRED INFLOWS OF RESOURCES	34,680,322	17,264,201
NET POSITION		
Net Investment in Capital Assets	706,756,462	24,534,159
Restricted for:		
Nonexpendable	105,317	128,335,053
Expendable	32,555,999	95,620,280
Unrestricted (Deficit)	(128,341,082)	32,344,485
TOTAL NET POSITION	\$ 611,076,696	\$ 280,833,977

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, 2017

	Georgia State University	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 294,825,347	\$ —
Grants and Contracts		
Federal	83,127,702	74,446,010
State	9,666,465	1,069,375
Other	33,909,361	17,863,149
Sales and Services	27,799,480	—
Rents and Royalties	132,754	20,292,527
Auxiliary Enterprises (net)		
Residence Halls	18,061,115	—
Bookstore	2,282,917	—
Food Services	12,817,467	—
Parking/Transportation	8,379,575	—
Health Services	3,593,403	—
Intercollegiate Athletics	19,150,216	—
Other Organizations	6,536,774	—
Gifts and Contributions	—	27,097,797
Endowment Income	—	5,747,888
Other Operating Revenues	2,388,309	(4,611,784)
	<hr/>	<hr/>
Total Operating Revenues	522,670,885	141,904,962
	<hr/>	<hr/>
OPERATING EXPENSES		
Faculty Salaries	200,978,814	—
Staff Salaries	242,033,831	—
Employee Benefits	128,161,490	—
Other Personal Services	2,154,405	—
Travel	7,054,165	1,301,429
Scholarships and Fellowships	55,783,182	7,237,984
Utilities	19,507,235	6,328
Supplies and Other Services	151,450,428	128,929,220
Depreciation	50,366,423	1,244,819
	<hr/>	<hr/>
Total Operating Expenses	857,489,973	138,719,780
	<hr/>	<hr/>
Operating Income (Loss)	(334,819,088)	3,185,182
	<hr/>	<hr/>

GEORGIA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017

	Georgia State University	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	262,361,384	—
Grants and Contracts		
Federal	93,472,356	—
Other	4,453,592	—
Gifts	690,887	(80,935)
Investment Income	1,344,910	8,963,750
Interest Expense	(14,560,937)	(4,516,226)
Other Nonoperating Revenues (Expenses)	(602,586)	633,791
Net Nonoperating Revenues	347,159,606	5,000,380
Income Before Other Revenues, Expenses, Gains, or Losses	12,340,518	8,185,562
Capital Grants and Gifts		
State	12,173,054	—
Other	16,658,939	—
Additions to Permanent and Term Endowments	—	12,542,959
Special Item	8,635,267	—
Total Other Revenues, Expenses, Gains or Losses	37,467,260	12,542,959
Change in Net Position	49,807,778	20,728,521
Net Position, Beginning of Year, As Originally Reported	562,598,096	236,365,288
Prior Year Adjustments	(1,329,178)	23,740,168
Net Position, Beginning of Year, Restated	561,268,918	260,105,456
Net Position-End of Year	\$ 611,076,696	\$ 280,833,977

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, 2017

	Georgia State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 382,183,571
Grants and Contracts (Exchange)	126,122,758
Payments to Suppliers	(288,970,160)
Payments to Employees	(447,613,040)
Payments for Scholarships and Fellowships	(55,783,182)
Loans Issued to Students	(1,977,865)
Collection of Loans from Students	1,823,088
Other Receipts	11,042,430
Net Cash Used by Operating Activities	<u>(273,172,400)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	262,361,384
Agency Funds Transactions - Receipts	579,323,968
Agency Funds Transactions - Disbursements	(575,600,148)
Gifts and Grants Received for Other Than Capital Purposes	98,616,835
Other Noncapital Financing Receipts	(52,286)
Other Noncapital Financing Payments	<u>—</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>364,649,753</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	10,927,596
Proceeds from Sale of Capital Assets	2,363
Purchases of Capital Assets	(71,156,304)
Principal Paid on Capital Debt and Leases	(8,297,509)
Interest Paid on Capital Debt and Leases	(15,192,219)
Net Cash Used by Capital and Related Financing Activities	<u>(83,716,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	43,144
Investment Income	1,301,764
Purchase of Investments	(14,178)
Net Cash Provided by Investing Activities	<u>1,330,730</u>
Net Increase in Cash and Cash Equivalents	9,092,010
Cash and Cash Equivalents, Beginning of Year	<u>190,270,244</u>
Cash and Cash Equivalents - End of Year	<u>\$ 199,362,254</u>

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
JUNE 30, 2017

Georgia State
University

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

Operating Loss	\$ (334,819,088)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	50,366,423
Change in Assets and Liabilities:	
Receivables, net	(13,699,446)
Inventories	61,298
Prepaid Items	516,953
Notes Receivable, Net	(154,783)
Accounts Payable	2,656,667
Salaries Payable	1,087,371
Contracts Payable	(5,363)
Retainage Payable	(7,753)
Deposits	2,425
Advances (Including Tuition and Fees)	(341,802)
Other Liabilities	(48,685)
Compensated Absences	1,364,244
Due to Affiliated Organizations	432,024
Net Pension Liability	87,198,965
Change in Deferred inflows/outflows of resources:	
Deferred Inflows of Resources	(8,894,210)
Deferred Outflows of Resources	(58,887,640)
Net Cash Used by Operating Activities	<u>\$ (273,172,400)</u>

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

Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	<u>\$ 1,188,483</u>
Gift of Capital Assets	<u>\$ 18,370,041</u>
Loss on Disposal of Capital Assets	<u>\$ 552,662</u>
Accrual of Capital Asset Related Payables	<u>\$ 9,911,082</u>
Capital Assets Acquired by Incurring Capital Lease Obligations	<u>\$ 741,264</u>
Extinguishment of Capital Debt	<u>\$ 8,635,267</u>
Unrealized Gain/Loss on Investments	<u>\$ 43,146</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, 2017

	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 6,608,614	\$ 9,340,668	\$ 15,949,282
Accounts Receivable, net			
Primary Government	—	1,864,367	1,864,367
Other	8,580,436	20,597,700	29,178,136
Investment in Capital Leases - Primary Government	7,433,260	—	7,433,260
Prepaid Items	—	17,271,722	17,271,722
Other Assets	506,712	—	506,712
Total Current Assets	23,129,022	49,074,457	72,203,479
Non-Current Assets			
Cash and Cash Equivalents	29,059,109	—	29,059,109
Accounts Receivable, net			
Pledges and Contributions	11,930,560	—	11,930,560
Investments	100,567,247	8,449,855	109,017,102
Investment in Capital Leases - Primary Government	133,255,634	72,366,210	205,621,844
Other Assets	3,837,931	—	3,837,931
Investments (Externally Restricted)	118,798,858	—	118,798,858
Capital Assets, net	15,388,234	9,145,925	24,534,159
Total Non-Current Assets	412,837,573	89,961,990	502,799,563
TOTAL ASSETS	435,966,595	139,036,447	575,003,042
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding	—	8,774,458	8,774,458
Deferred Loss on Defined Benefit Pension Plans	—	—	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	—	8,774,458	8,774,458

GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017

	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	4,430,861	1,939,055	6,369,916
Due to Primary Government	—	22,139,877	22,139,877
Advances (Including Tuition and Fees)	16,079,406	—	16,079,406
Deposits Held for Other Organizations	2,281,025	—	2,281,025
Other Liabilities	802,593	—	802,593
Lease Purchase Obligations - External	584,500	—	584,500
Revenue Bonds and Notes Payable	6,085,000	—	6,085,000
Total Current Liabilities	30,263,385	24,078,932	54,342,317
Non-Current Liabilities			
Advances (Including Tuition and Fees)	1,297,669	—	1,297,669
Other Liabilities	6,346,539	—	6,346,539
Lease Purchase Obligations - External	617,900	—	617,900
Revenue Bonds and Notes Payable	129,003,422	81,500,392	210,503,814
Liabilities Under Split Interest Agreements	1,690,023	—	1,690,023
Interest Rate Swap	10,881,060	—	10,881,060
Total Non-Current Liabilities	149,836,613	81,500,392	231,337,005
TOTAL LIABILITIES	180,099,998	105,579,324	285,679,322
DEFERRED INFLOWS OF RESOURCES			
Deferred Funds Received in Advance of Timing Requirements	—	17,264,201	17,264,201
Accumulated Increase in Fair Value of Hedging Instruments	—	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	—	17,264,201	17,264,201
NET POSITION			
Net Investment in Capital Assets	15,388,234	9,145,925	24,534,159
Restricted for:			
Nonexpendable	128,335,053	—	128,335,053
Expendable	88,583,822	7,036,458	95,620,280
Unrestricted	23,559,488	8,784,997	32,344,485
TOTAL NET POSITION	\$ 255,866,597	\$ 24,967,380	\$ 280,833,977

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, 2017

	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Total
OPERATING REVENUES			
Grants and Contracts			
Federal		\$ 74,446,010	\$ 74,446,010
State		1,069,375	1,069,375
Other		17,863,149	17,863,149
Rents and Royalties	\$ 20,163,192	129,335	20,292,527
Gifts and Contributions	27,097,797	—	27,097,797
Endowment Income	5,747,888	—	5,747,888
Other Operating Revenues	(7,446,971)	2,835,187	(4,611,784)
Total Operating Revenues	45,561,906	96,343,056	141,904,962
OPERATING EXPENSES			
Travel	1,204,375	97,054	1,301,429
Scholarships and Fellowships	7,237,984	—	7,237,984
Utilities	—	6,328	6,328
Supplies and Other Services	36,232,588	92,696,632	128,929,220
Depreciation	591,008	653,811	1,244,819
Total Operating Expenses	45,265,955	93,453,825	138,719,780
Operating Income (Loss)	295,951	2,889,231	3,185,182

GEORGIA STATE UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
JUNE 30, 2017

	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Total
NONOPERATING REVENUES (EXPENSES)			
Gifts		(80,935)	(80,935)
Investment Income	8,358,721	605,029	8,963,750
Interest Expense	(1,696,322)	(2,819,904)	(4,516,226)
Other Nonoperating Revenues (Expenses)	—	633,791	633,791
Net Nonoperating Revenues	6,662,399	(1,662,019)	5,000,380
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	6,958,350	1,227,212	8,185,562
Additions to Permanent and Term Endowments	12,542,959	—	12,542,959
Total Other Revenues, Expenses, Gains or Losses	12,542,959	—	12,542,959
Change in Net Position	19,501,309	1,227,212	20,728,521
Net Position, Beginning of Year, As Originally Reported	236,365,288	—	236,365,288
Prior Year Adjustments	—	23,740,168	23,740,168
Net Position, Beginning of Year, Restated	236,365,288	23,740,168	260,105,456
Net Position-End of Year	\$ 255,866,597	\$ 24,967,380	\$ 280,833,977

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, 2017

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Georgia State University (the University) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, 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 are 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, 2017, 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 University (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 addresses listed below.

- Georgia State University Foundation, Inc., Attn: Dale Parmer, GSU Foundation, 533 One Park Place, Atlanta, GA 30301-2668.
- Georgia State University Research Foundation, Inc., 100 Auburn Avenue, Suite 315, Fulton, 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-university transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2017, the University adopted *Governmental Accounting Standards Board (GASB) Statement No. 82, Pension Issues*-an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses accounting and financial reporting issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

For fiscal year 2017, the University adopted *Governmental Accounting Standards Board (GASB) Statement No. 80, Blending Requirements for Certain Component Units*-an amendment of GASB Statement No. 14. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of *Statement No. 39, Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2017, the University adopted *GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of *Statement No. 68, Accounting and Financial Reporting for Pensions*. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2017, the University adopted *GASB Statement No. 77, Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2017, the University adopted *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces *Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and *No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other

postemployment benefit (OPEB) plans that replace the requirements for those OPEB plans in *Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, *Statement 43*, and *Statement No. 50, Pension Disclosures*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions. The adoption of this Statement does not have a significant impact on the University's financial statements.

Future Accounting Pronouncements

In fiscal year 2018, the University will adopt *Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement establish accounting and financial reporting standards for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. Implementation of this Statement will require the University to record a liability for its proportionate share of the OPEB Liability of plans in which it participates. Actuarial estimates are currently being made to determine the University's liability, the effects of which are believed to be material.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Ga Fund 1) and the Board of Regents Short-Term Investment Pool.

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.

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 and the Board of Regents Diversified Fund are included as investments.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from 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 Position.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2017 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 Institution'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 assets by an institution that are 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 assets by an institution that are applicable to a future reporting period.

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 fiduciary net position, additions to/deductions from 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 - nonexpendable 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 permits each individual institution to use prudent judgment in the spending of current

realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. Each institution 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 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 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 nonoperating revenue by *GASB No. 9, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.
- Operating 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

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$81,152,109 and \$865,026, respectively.

Changes in Financial Reporting Entity

The determination was made that Georgia State University Research Foundation met requirements for inclusion as discretely presented component units, which increased beginning net position in the amount of \$23,740,168.

Restatement Note Disclosure

For fiscal year 2017, the University made a prior period adjustment to correct the overstatement of notes receivable. The decrease in Net Position at July 1, 2016 as the result of this correction is \$1,329,178.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2017 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$	198,846,133
Cash (Externally Restricted)		516,121
Investments (Externally Restricted)		118,725
	\$	<u>199,480,979</u>

Cash on hand, deposits and investments as of June 30, 2017 consist of the following:

Cash on Hand	\$	38,390
Deposits with Financial Institutions		35,719,030
Investments		163,723,559
	\$	<u>199,480,979</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 Section 50-17-59:

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

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2017, the bank balances of the University's deposits totaled \$43,182,879. 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.

At June 30, 2017, the carrying value of the University's investments was \$163,723,559, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and Office of the State Treasurer investment pools as follows:

	<u>Fair Value</u>
Investment Pools	
Board of Regents	
Short-Term Fund	\$ 77,706,587
Balanced Income Fund	45,291
Diversified Fund	73,434
Office of the State Treasurer	
Georgia Fund 1	<u>85,898,247</u>
Total Investments	<u>\$ 163,723,559</u>

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 for Endowment Funds is that the average maturity of the fixed income portfolio shall not exceed ten years and for Operating Funds the average maturity of the fixed income portfolio shall not exceed two years

Investment Pools

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the USG. This audit can be obtained from USG's web site at http://www.usg.edu/fiscal_affairs/financial_reporting.

The Effective Duration of the Short-Term Fund is 0.429 years. Of the University's total investment in the Short-Term Fund, 100% is invested in debt securities.

The Effective Duration of the Balanced Income Fund is 5.7 years. Of the University's total investment in the Balanced Income Fund, 67% is invested in debt securities.

The Effective Duration of the Diversified Fund is 5.65 years. Of the University's total investment in the Diversified Fund, 33% is invested in debt securities.

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 Georgia Fund 1 Investment Pool is an AAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 26 days.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

	Business Type Activities
Student Tuition and Fees	\$ 14,184,718
Auxiliary Enterprises and Other Operating Activities	2,266,497
Federal Financial Assistance	21,856,820
Georgia State Financing and Investment Commission	1,188,483
Due from Affiliated Organizations	1,137,966
Due From Other USG Institutions	1,414,211
Other	18,115,333
	60,164,028
Less: Allowance for Doubtful Accounts	7,436,110
Net Accounts Receivable	\$ 52,727,918

Note 4 Inventories

Inventories consisted of the following at June 30, 2017:

Consumable Supplies	\$ 280,250
Merchandise for Resale	55,693
	335,943
Total	\$ 335,943

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2017. 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, 2017, the allowance for uncollectible loans was \$47,626.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2017 are shown below:

	Beginning Balances July 1, 2016	Additions	Reductions	Ending Balances June 30,
Capital Assets, Not Being Depreciated:				
Land	\$ 102,736,212	\$ 7,207,080	\$ —	\$ 109,943,292
Capitalized Collections	290,274	2,977	—	293,251
Construction Work-in-Progress	50,132,057	15,536,207	42,629,172	23,039,092
Total Capital Assets Not Being Depreciated	153,158,543	22,746,264	42,629,172	133,275,635
Capital Assets, Being				
Infrastructure	36,346,191	—	—	36,346,191
Buildings and Building Improvements	1,022,082,555	94,103,290	344,031	1,115,841,814
Facilities and Other Improvements	24,257,770	471,852	—	24,729,622
Equipment	128,039,370	11,947,744	2,864,156	137,122,958
Library Collections	166,373,310	7,849,194	280,691	173,941,813
Total Capital Assets Being Depreciated/Amortized	1,377,099,196	114,372,080	3,488,878	1,487,982,398
Less: Accumulated				
Infrastructure	12,201,194	2,335,185	—	14,536,379
Buildings and Building Improvements	360,704,380	28,901,831	261,200	389,345,011
Facilities and Other Improvements	8,495,345	1,165,782	—	9,661,127
Equipment	89,630,156	11,406,093	2,301,917	98,734,332
Library Collections	131,817,407	6,557,532	280,691	138,094,248
Total Accumulated Depreciation/Amortization	602,848,482	50,366,423	2,843,808	650,371,097
Total Capital Assets, Being Depreciated/Amortized, Net	774,250,714	64,005,657	645,070	837,611,301
Capital Assets, net	\$ 927,409,257	\$ 86,751,921	\$ 43,274,242	\$ 970,886,936

For the year ended June 30, 2017, 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
2017	\$ 50,366,423
2016	\$ 51,616,165
2015	\$ 46,293,128

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2017:

	Current Liabilities
Prepaid Tuition and Fees	\$ 21,498,767
Other - Advances	5,676,489
Totals	<u>\$ 27,175,256</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2017 was as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current Portion
Lease Purchase Obligations	<u>\$ 264,109,154</u>	<u>\$ 741,264</u>	<u>\$ 16,805,224</u>	<u>\$ 248,045,194</u>	<u>\$ 9,030,096</u>
Other Liabilities					
Compensated Absences	19,223,068	15,891,216	14,526,972	20,587,312	12,175,215
Net Pension Liability	249,327,383	87,198,965	—	336,526,348	—
Total	<u>268,550,451</u>	<u>103,090,181</u>	<u>14,526,972</u>	<u>357,113,660</u>	<u>12,175,215</u>
Total Long-Term Obligations	<u>\$ 532,659,605</u>	<u>\$ 103,831,445</u>	<u>\$ 31,332,196</u>	<u>\$ 605,158,854</u>	<u>\$ 21,205,311</u>

Note 9 Special Items

In January 2017, the lease for the Student Recreation Center was amended. Under the amended lease terms, the future lease payments will be reduced by a cumulative total of \$9,696,791 and the lease maturity date advances from June 2021 to September 2018. As a result, the University had a Special Item Gain for the Student Recreation Center of \$7,228,875 for the year ending June 30, 2017, representing the net present value of the reduction in the future lease payments.

In January 2017, the lease for the Alpharetta Center was amended. Under the amended lease terms, the future lease payments will be reduced by a cumulative \$2,289,668 and the lease maturity date advances from June 2020 to October 2018. As a result, the University had a Special Item Gain for the Alpharetta Center of \$1,406,391 for the year ending June 30, 2017, representing the net present value of the reduction in future lease payments.

Note 10 Net Position

The breakdown of business type activity net position for the University fund at June 30, 2017 is as follows:

NET POSITION

Net Investment in Capital Assets	\$ 706,756,462
Restricted for	
Nonexpendable	
Permanent Endowment	105,317
Expendable	
Sponsored and Other Organized Activities	26,032,038
Federal Loans	5,312,150
Quasi-Endowments	11,811
Capital Projects	1,200,000
Sub-Total	32,555,999
Unrestricted	
Auxiliary Enterprises Operations	(6,026,834)
Auxiliary Enterprises Renewals and Replacement Reserve	31,338,389
Reserve for Encumbrances	50,362,788
Reserve for Inventory	298,235
Capital Liability Reserve Fund	1,414,211
Other Unrestricted	(205,727,871)
Sub-Total	(128,341,082)
Total Net Position	\$ 611,076,696

Changes in Net Position for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Net Investments in Capital Assets	\$ 650,933,850	\$ 151,330,191	\$ 95,507,579	\$ 706,756,462
Restricted Net Position	23,937,768	253,461,469	244,737,921	32,661,316
Unrestricted Net Position	(112,273,522)	670,748,507	686,816,067	(128,341,082)
Total Net Position	\$ 562,598,096	\$ 1,075,540,167	\$ 1,027,061,567	\$ 611,076,696

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 \$7,628 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 on the total return concept. Annual payouts from the University's endowment funds are based on a spending policy which limits spending to no more than 5% of endowment principal market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2017. In addition to these encumbrances, the University had other significant unearned outstanding construction or renovation contracts in the amount of \$25,170,787 executed as of June 30, 2017. This amount is not reflected in the accompanying basic financial statements.

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 expenditures related to capital leases for fiscal year 2017 were \$8,297,509 and \$15,192,219, respectively. Interest rates range from up to 8.6%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2017:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2017	Outstanding Balances per Lease Schedules at June 30, 2017
	(+)	(-)	(=)	
Leased Equipment	\$ 2,252,777	\$ 448,375	\$ 1,804,449	\$ 1,162,247
Leased Buildings and Building Improvements	310,115,686	74,328,105	235,787,581	246,882,947
Total Assets Held Under Capital Lease	<u>\$ 312,368,510</u>	<u>\$ 74,776,480</u>	<u>\$ 237,592,030</u>	<u>\$ 248,045,194</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	20 years	Mar 2000	Oct, 2018	\$ 1,744,528	(1)
Lofts Housing	Georgia State University Foundation	39,965,234	27 years	Jan 2005	Aug, 2032	32,813,616	(1)
Student Recreation Center	Georgia State University Foundation	29,442,679	20 years	Aug 2001	Sep, 2018	4,164,987	(1)
Rialto Center	Georgia State University Foundation	1,041,646	35 years	Dec 2009	Nov, 2044	971,603	(1)
Petit Science Center	GSU Research Foundation	85,853,469	29 years	May 2010	Jun, 2039	72,366,210	(1)
SunTrust Building and Complex	Georgia State University Foundation	65,483,384	30 years	Jun 2007	Jun, 2037	63,123,431	(1)
Newton Academic Building	Georgia State University Foundation	22,682,812	28 years	Jun 2007	May, 2035	18,160,137	(1)
Newton Learning Center	Georgia State University Foundation	12,754,177	26 years	Aug 2009	Jun, 2035	11,757,461	(1)
Clarkston International Center	Georgia State University Foundation	3,048,768	26 years	Sep 2009	Jun, 2035	2,799,395	(1)
Clarkston Parking Deck	Georgia State University Foundation	8,281,580	27 years	Aug 2008	Jun, 2035	8,006,272	(1)
Clarkston Student Success Center	Georgia State University Foundation	6,015,435	26 years	Mar 2009	Jun, 2035	5,656,333	(1)
Decatur Student Success Center	Georgia State University Foundation	9,002,865	26 years	May 2009	Jun, 2035	8,398,186	(1)
Dunwoody Parking Deck	Georgia State University Foundation	8,436,012	27 years	Aug 2008	Jun, 2035	8,155,571	(1)
Dunwoody Student Success Center	Georgia State University Foundation	9,358,859	26 years	Apr 2009	Jun, 2035	8,765,218	(1)
Various Copiers	Various Vendors	2,252,824	3 to 5 years	Oct 2011	Jun, 2022	1,162,247	
Total Leases		<u>\$ 315,120,117</u>				<u>\$ 248,045,195</u>	

(1) These capital leases are related party transactions with affiliated organizations.

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 2017 was \$6,960,087.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2017, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2018	\$ 24,306,191	\$ 6,556,500
2019	23,092,499	5,294,946
2020	21,743,893	5,423,016
2021	21,848,356	5,508,795
2022	22,023,950	5,536,843
2023 - 2027	113,652,813	10,303,029
2028 - 2032	119,903,992	663,580
2033 - 2037	92,622,551	663,580
2038 - 2042	6,119,289	663,580
2043 - 2047	191,652	663,580
2048 - 2052	—	663,580
2053 - 2057	—	132,716
Total minimum lease payments	445,505,186	<u>\$ 42,073,745</u>
Less: Interest	175,318,649	
Less: Executory costs	22,141,343	
Principal Outstanding	<u>\$ 248,045,194</u>	

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 issues 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

Summary of Significant Accounting Policies

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

General Information about the Teachers Retirement System

Plan description

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

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. USGs contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual the University payroll. The University's contributions to TRS totaled \$26,762,188 for the year ended June 30, 2017.

General Information about the Employees' Retirement System

Plan description

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

Benefits provided

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

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

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor.

Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. University's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. University's contributions to ERS totaled \$251,578 for the year ended June 30, 2017. 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, 2017, 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, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the University's TRS proportion was 1.622227%, which was a decrease of (0.008352)% from its proportion measured as of June 30, 2015. At June 30, 2016, the University's ERS proportion was 0.038957%, which was an increase of 0.012104% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of \$35,750,709 for TRS and \$369,225 for ERS. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,985,882	\$ 1,655,013	\$ —	\$ 4,256
Changes of assumptions	\$ 8,674,534	\$ —	\$ 15,609	\$ —
Net difference between projected and actual earnings on pension plan investments	\$ 42,338,843	\$ —	\$ 187,364	\$ —
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,997,199	\$ 5,784,845	\$ 299,404	\$ 10,788
Contributions subsequent to the measurement date	\$ 26,762,188	\$ —	\$ 251,578	\$ —
Total	\$ 88,758,646	\$ 7,439,858	\$ 753,955	\$ 15,044

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, 2017. 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
2018	\$ 6,478,340	\$ 239,154
2019	\$ 6,478,323	\$ 84,542
2020	\$ 24,598,809	\$ 101,017
2021	\$ 16,404,110	\$ 62,620
2022	\$ 597,018	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 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, 2015 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, 2015 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.

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	\$ 520,939,024	\$ 334,683,518	\$ 181,332,810

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 2,497,376	\$ 1,842,830	\$ 1,285,026

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 www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs, 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 2017, the employer contribution was 9.24% for the participating employee's earnable compensation.

Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$15,948,826 (9.24%) and \$10,358,654 (6%), 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 2017, 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 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 Official Code of Georgia Annotated Section 45-9-1.

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

Note 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, 2017.

Note 17 Post-Employment Benefits Other Than Pension Benefits

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

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

As of June 30, 2017, there were 1,665 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2017, the University recognized \$6,056,932 in expenses, which was net of \$1,819,648 of participant contributions.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2017 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 137,513,703	\$ 37,344,564	\$ 70,039,072	\$ 448,355	\$ 2,022,452
Research	46,959,216	49,962,343	14,334,053	—	2,573,256
Public Service	2,060,122	9,294,651	3,124,176	—	626,399
Academic Support	12,470,340	37,844,541	14,538,406	498,099	916,100
Student Services	999,110	31,958,330	8,816,630	—	505,783
Institutional Support	975,323	25,335,875	2,413,033	1,207,951	223,915
Plant Operations and Maintenance	—	28,311,649	8,808,261	—	47,050
Scholarships and Fellowships	—	64,121	741	—	—
Auxiliary Enterprises	1,000	21,917,757	6,087,118	—	139,210
Total Operating Expenses	\$ 200,978,814	\$ 242,033,831	\$ 128,161,490	\$ 2,154,405	\$ 7,054,165

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 4,486,845	\$ 23,782	\$ 14,422,810	\$ 9,047,366	\$ 275,348,949
Research	2,221,164	42,691	41,841,335	14,064,287	171,998,345
Public Service	415,545	22,138	6,829,234	147,100	22,519,365
Academic Support	29,321	1,087,567	18,079,294	10,532,301	95,995,969
Student Services	1,058,904	82,497	9,869,891	1,373,961	54,665,106
Institutional Support	2,005,342	102,740	12,082,751	1,509,940	45,856,870
Plant Operations and Maintenance	—	15,763,523	—	7,783,912	60,714,395
Scholarships and Fellowships	42,484,919	—	160,211	—	42,709,992
Auxiliary Enterprises	3,081,142	2,382,297	48,164,902	5,907,556	87,680,982
Total Operating Expenses	\$ 55,783,182	\$ 19,507,235	\$ 151,450,428	\$ 50,366,423	\$ 857,489,973

Note 19 Component Units

Georgia State University Foundation, Inc.

The Georgia State University Foundation, Inc. (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, 2017, the GSUF distributed approximately \$16.8 million 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 (GSURF) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The GSURF functions as the prime contractor for most sponsored research conducted at Georgia State University and subcontracts with Georgia State University for faculty and staff services.

During the year ended June 30, 2017, the GSURF distributed approximately \$89 million to the university for restricted and unrestricted grants and contract sub-awarded to Georgia State University.

Component unit's investments are comprised of the following amounts at June 30, 2017:

	Fair Value
Investment type	
U.S. Treasuries	\$ 33,331,142
Bond Securities	42,815,293
Equity Mutual Funds - Domestic	52,623,110
Equity Mutual Funds - International	55,956,367
Equity Securities - Domestic	1,000
Real Estate Investment Trusts	8,852,897
Hedge Funds	12,356,048
Commodity Fund	6,334,316
Joint Ventures/Partnerships	7,096,932
Other	249,667
Total Investments	<u>\$ 219,616,772</u>

	Fair Value
Investment Pools	
Short-Term Fund	\$ 1,923,541
Balanced Income Fund	1,979,880
Diversified Fund for Foundations	4,295,767
Total Investments	<u>\$ 8,199,188</u>

Component unit's endowments are comprised of the following amounts at June 30, 2017:

	Unrestricted and Quasi Endowments	Permanently Restricted and True Endowment	Total
Beginning	33,094,605	111,719,259	144,813,864
Contributions	351,344	12,542,959	12,894,303
Net realized and unrealized gains	2,290,642	7,709,791	10,000,433
Appropriation of endowment assets for expenditure	(1,236,125)	(4,511,763)	(5,747,888)
Transfers to comply with donor intent	292,053	874,807	1,166,860
Other	71,726	—	71,726
Ending	<u>34,864,245</u>	<u>128,335,053</u>	<u>163,199,298</u>

Component unit's capital assets are comprised of the following amounts at June 30, 2017:

Capital Assets not being Depreciated:	
Land (and other assets)	\$ 7,348,561
Total Capital Assets not being Depreciated	<u>7,348,561</u>
Capital Assets being Depreciated:	
Buildings and Building Improvements	12,303,941
Leased Buildings and Building Improvements	10,207,416
Machinery and Equipment	2,680,607
Total Capital Assets being Depreciated/Amortized	<u>25,191,964</u>
Less Total Accumulated Depreciation/Amortization	<u>8,006,366</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>17,185,598</u>
Capital Assets, Net	<u>\$ 24,534,159</u>

Component unit's long-term liabilities are comprised of the following amounts at June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Lease Purchase Obligation (Capital Lease)	1,761,850	—	559,450	1,202,400	584,500
Liabilities under split interest agreement	1,907,385	—	217,362	1,690,023	—
Interest Rate Swap	15,837,801	—	4,956,741	10,881,060	—
Revenue/Mortgage Bonds Payable	215,760,000	—	5,565,000	210,195,000	6,085,000
Bond - Premium	9,417,657	—	507,718	8,909,939	—
Bond - (Discount)	(1,168,191)	—	(78,183)	(1,090,008)	—
Total Long -Term Liabilities	<u>\$ 243,516,502</u>	<u>\$ —</u>	<u>\$ 11,728,088</u>	<u>\$ 231,788,414</u>	<u>\$ 6,669,500</u>

Component unit's capital lease obligations are comprised of the following amounts at June 30, 2017:

Year ending June 30:	Year	
2018	1	\$ 630,007
2019	2	633,348
Total minimum lease payments		<u>1,263,355</u>
Less: Interest		60,955
Less: Executory costs (if paid)		<u>—</u>
Principal Outstanding		<u>\$ 1,202,400</u>

Component unit's bonds payable are comprised of the following amounts at June 30, 2017:

		Principal	Interest	Total
Year ending June 30:	Year			
2018	1	6,085,000	9,298,617	\$ 15,383,617
2019	2	5,555,000	9,013,750	\$ 14,568,750
2020	3	6,580,000	8,712,835	\$ 15,292,835
2021	4	7,045,000	8,382,203	\$ 15,427,203
2022	5	7,455,000	8,054,852	\$ 15,509,852
2023 - 2027	6-10	44,330,000	32,446,775	\$ 76,776,775
2028 - 2032	11-15	58,000,000	24,009,537	\$ 82,009,537
2033 - 2037	16-20	60,310,000	10,119,576	\$ 70,429,576
2038 - 2042	21-25	14,835,000	780,200	\$ 15,615,200
		<u>210,195,000</u>	<u>110,818,345</u>	<u>321,013,345</u>
Bond Premium		8,909,939	—	8,909,939
Bond (Discount)		<u>(1,090,008)</u>	<u>—</u>	<u>(1,090,008)</u>
		<u>\$ 218,014,931</u>	<u>\$ 110,818,345</u>	<u>\$ 328,833,276</u>

Amounts due to component units related to direct financing lease activity as of June 30, 2017 is as follows:

Year Ending June 30:	Year:	
2018	1	\$ 18,860,175
2019	2	17,894,932
2020	3	16,744,846
2021	4	16,934,002
2022	5	17,123,489
2023 - 2027	6-10	88,598,238
2028 - 2032	11-15	93,835,702
2033 - 2037	16-20	84,855,336
2038 - 2042	21-25	<u>5,379,580</u>
Total minimum lease payments to be received		360,226,300
Less: Unearned Income		<u>(147,171,196)</u>
Net Investment in Direct Financing Lease		<u>\$ 213,055,104</u>

Note 20 Subsequent Events

On August 30, 2017, the GSUF refunded existing bonds associated with the Panther Place, LLC Series 2009 A & B bonds by a new fixed-rate bond issuance. Revenue bonds of \$57,040,000 (tax-exempt \$49,270,000 and taxable \$7,770,000) plus premium of \$6,474,607 were issued by the Atlanta Development Authority on behalf of the GSUF. Capital leases between the GSUF and the University associated with this debt were restructured to provide net savings to the University of \$26,277,546.

On August 30, 2017, the GSUF refunded existing bonds associated with the GPC Foundation Real Estate Newton, LLC Series 2005 bonds by a new fixed-rate bond issuance. Tax-exempt Revenue bonds of \$15,865,000 plus premium of \$1,954,062 were issued by the Newton County Industrial Development Authority on behalf of the GSUF. Capital leases between the GSUF and the University associated with this debt were restructured to provide net savings to the University of \$4,170,496.

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	6/30/2017	\$ 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%
	6/30/2008 ⁽¹⁾	\$ 92,322	\$ 92,322	\$ —	885,394	10.43%
Teachers Retirement System	6/30/2017 ⁽¹⁾	\$ 26,762,188	\$ 26,762,188	\$ —	187,541,613	14.27%
	6/30/2016 ⁽¹⁾	\$ 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%
	6/30/2008 ⁽¹⁾	\$ 13,946,970	\$ 13,946,970	\$ —	150,290,625	9.28%

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

GEORGIA STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST THREE FISCAL YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee 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	6/30/2017	0.04%	\$ 1,842,830	\$ 894,538	206.01%	72.34%
	6/30/2016	0.03%	\$ 1,087,922	\$ 608,119	178.90%	76.20%
	6/30/2015 ⁽¹⁾	0.03%	\$ 1,050,436	\$ 634,086	165.66%	77.99%
Teachers Retirement System	6/30/2017	1.62%	\$ 334,683,518	\$ 177,579,706	188.47%	76.06%
	6/30/2016	1.63%	\$ 248,239,461	\$ 171,455,725	144.78%	81.44%
	6/30/2015 ⁽¹⁾	1.61%	\$ 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, 2017**

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 increases.

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 experience. In 2010, assumed rates of salary increase 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 updates to rates of 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

SUPPLEMENTARY INFORMATION



GEORGIA STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30. 2017
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	122,166,606.37
Investments		—
Accounts Receivable		
State Appropriation		—
Federal Financial Assistance		21,093,951.02
Other		32,913,900.72
Margin Allocation		—
Prepaid Expenditures		557,312.23
Inventories		285,732.24
Other Assets		1,136,976.58
		<hr/>
Total Assets	\$	178,154,479.16
		<hr/>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	2,989,506.10
Payroll Withholdings		—
Encumbrance Payable		41,695,447.23
Accounts Payable		14,335,512.60
Unearned Revenue		42,539,742.86
Funds Held for Others		—
Other Liabilities		1,374,395.98
		<hr/>

Total Liabilities		102,934,604.77
		<hr/>

Fund Balances

Reserved		
Capital Outlay		1,200,000.00
Department Sales and Services		14,104,058.45
Indirect Cost Recoveries		34,024,213.50
Technology Fees		8,011,704.09
Restricted/Sponsored Funds		2,249,510.54
Uncollectible Accounts Receivable		6,617,243.71
Inventories		298,235.30
Tuition Carry - Forward		8,484,706.68
Unreserved		
Surplus		230,202.12
		<hr/>

Total Fund Balances		75,219,874.39
		<hr/>

Total Liabilities and Fund Balances	\$	178,154,479.16
		<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
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
<u>REVENUES</u>			
State Appropriations	\$ 262,551,328.00	\$ 262,551,328.00	\$ —
Other Funds	828,872,978.00	641,514,008.81	(187,358,969.19)
Total Revenue	1,091,424,306.00	904,065,336.81	(187,358,969.19)
<u>ADJUSTMENTS AND PROGRAM TRANSFERS</u>			
		8,860.00	8,860.00
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	—	52,477,825.39	52,477,825.39
Total Funds Available	1,091,424,306.00	956,552,022.20	(134,872,283.80)
<u>EXPENDITURES</u>			
Public Service/Special Funding Initiative	60,000.00	60,000.00	—
Teaching	1,091,364,306.00	888,082,704.09	203,281,601.91
Total Expenditures	1,091,424,306.00	888,142,704.09	203,281,601.91
Excess of Funds Available over Expenditures	\$ —	68,409,318.11	\$ 68,409,318.11
<u>FUND BALANCE JULY 1</u>			
Reserved		59,500,464.22	
Unreserved		189,943.69	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		930,429.66	
Prior Year Receivables/Revenues		(1,142,512.21)	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office			
Year Ended June 30, 2016		(189,943.69)	
Early Return of Surplus in Fiscal Year 2017		—	
Prior Year Reserved Fund Balance Included in Funds Available		(52,477,825.39)	
<u>ENDING FUND BALANCE JUNE 30</u>		\$ 75,219,874.39	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Capital Outlay		\$ 1,200,000.00	
Department Sales & Services		14,104,058.45	
Indirect Cost Recovery		34,024,213.50	
Inventories		298,235.30	
Technology Fees		8,011,704.09	
Restricted/Sponsored Funds		2,249,510.54	
Uncollectible Accounts Receivable		6,617,243.71	
Tuition Carry - Forward		8,484,706.68	
Property Reserves		—	
Total Reserved		74,989,672.27	
Unreserved			
Surplus		230,202.12	
Total Fund Balance		\$ 75,219,874.39	

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, 2017

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ 60,000.00	\$ 60,000.00	\$ —
Tobacco Funds	—	—	—	—	—
State Funds - Prior Year Carry-Over	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	60,000.00	60,000.00	—
Teaching					
State Appropriation					
State General Funds	260,426,059.00	260,426,059.00	262,491,328.00	262,491,328.00	—
Other Funds	669,831,772.00	669,831,772.00	828,872,978.00	641,514,008.81	52,477,825.39
Total Teaching	930,257,831.00	930,257,831.00	1,091,364,306.00	904,005,336.81	52,477,825.39
Total Operating Activity	\$ 930,257,831.00	\$ 930,257,831.00	\$ 1,091,424,306.00	\$ 904,065,336.81	\$ 52,477,825.39

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, 2017

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance (Negative)	Actual	Variance Positive	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ 60,000.00	\$ —	\$ 60,000.00	\$ —	\$ —
Tobacco Funds	—	—	—	—	—	—
State Funds - Prior Year Carry-Over	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	60,000.00	—	60,000.00	—	—
Teaching						
State Appropriation						
State General Funds	—	262,491,328.00	—	262,491,328.00	—	—
Other Funds	8,860.00	694,000,694.20	(134,872,283.80)	625,591,376.09	203,281,601.91	68,409,318.11
Total Teaching	8,860.00	956,492,022.20	(134,872,283.80)	888,082,704.09	203,281,601.91	68,409,318.11
Total Operating Activity	\$ 8,860.00	\$ 956,552,022.20	\$ (134,872,283.80)	\$ 888,142,704.09	\$ 203,281,601.91	\$ 68,409,318.11

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, 2017

	Beginning Fund Balance	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2016 Surplus	Prior Year Adjustments	Other Adjustments
Teaching					
State Appropriation					
State General Funds	\$ 157,234.26	\$ —	\$ (157,234.26)	\$ 181,548.06	\$ —
Other Funds	52,510,534.82	(52,477,825.39)	(32,709.43)	(393,630.61)	107,159.82
Total Teaching	52,667,769.08	(52,477,825.39)	(189,943.69)	(212,082.55)	107,159.82
Prior Year Reserves					
Not Available for Expenditure					
Inventories	323,807.04	—	—	—	(25,571.74)
Uncollectible Accounts Receivable	6,698,831.79	—	—	—	(81,588.08)
Budget Unit Totals	\$ 59,690,407.91	\$ (52,477,825.39)	\$ (189,943.69)	\$ (212,082.55)	\$ —

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, 2017

	Early Return of Fiscal Year 2017 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
Teaching						
State Appropriation						
State General Funds	\$ —	\$ —	\$ 181,548.06	\$ —	\$ 181,548.06	\$ 181,548.06
Other Funds	—	68,409,318.11	68,122,847.32	68,074,193.26	48,654.06	68,122,847.32
Total Teaching	—	68,409,318.11	68,304,395.38	68,074,193.26	230,202.12	68,304,395.38
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	298,235.30	298,235.30	—	298,235.30
Uncollectible Accounts Receivable	—	—	6,617,243.71	6,617,243.71	—	6,617,243.71
Budget Unit Totals	\$ —	\$ 68,409,318.11	\$ 75,219,874.39	\$ 74,989,672.27	\$ 230,202.12	\$ 75,219,874.39
		Capital Outlay		\$ 1,200,000.00	\$ —	\$ 1,200,000.00
		Departmental Sales and Services		14,104,058.45	—	14,104,058.45
		Indirect Cost Recovery		34,024,213.50	—	34,024,213.50
		Technology Fees		8,011,704.09	—	8,011,704.09
		Restricted/Sponsored Funds		2,249,510.54	—	2,249,510.54
		Tuition Carry-Forward		8,484,706.68	—	8,484,706.68
		Uncollectible Accounts Receivable		6,617,243.71	—	6,617,243.71
		Inventories		298,235.30	—	298,235.30
		Surplus		—	230,202.12	230,202.12
				\$ 74,989,672.27	\$ 230,202.12	\$ 75,219,874.39

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.

