Georgia State University

MANAGEMENT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2018

GEORGIA STATE UNIVERSITY

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

October 18, 2018

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

Ladies and Gentlemen:

This Management Report contains information pertinent to the Georgia State University's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2018. Additionally, we audited Georgia State University's Federal Student Aid programs for the year ended June 30, 2018 to meet the requirements of COC Standard 13.6. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Georgia State University to support our audit of the basic financial statements of the University System of Georgia presented in the *University System of Georgia Annual Financial Report* and the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a S*tate of Georgia* Single *Audit* Report pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2018.

This report is intended solely for the information and use of the management of Georgia State University, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools - Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Greg S. Griffin
State Auditor

SELECTED FINANCIAL INFORMATION

GEORGIA STATE UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2018

EXHIBIT "A"

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	189,291,914
Cash and Cash Equivalents (Externally Restricted)		5,987,433
Accounts Receivable, Net		
Federal Financial Assistance		17,523,017
Affiliated Organizations		84,121
Other		35,186,741
Inventories		207,389
Prepaid Items		5,687,658
Total Current Assets		253,968,273
Noncurrent Assets		
Accounts Receivable, Net		
Affiliated Organizations		5,321,604
Due From USO - Capital Liability Reserve Fund		1,414,211
Notes Receivable, Net		4,392,487
Non-current Cash (Externally Restricted)		515,788
Investments (Externally Restricted)		124,502
Capital Assets, Net		982,230,035
Total Noncurrent Assets		993,998,627
Total Assets		1,247,966,900
Deferred Outflows of Resources		81,221,944
LIABILITIES		
Current Liabilities		
Accounts Payable		23,249,204
Salaries Payable		3,548,887
Benefits Payable		6,911,798
Retainage Payable		3,262,911
Due to Affiliated Organizations		2,540,832
Advances (Including Tuition and Fees)		28,780,646
Deposits		33,335
Deposits Held for Other Organizations		2,582,248
Other Liabilities		296,741
Lease Purchase Obligations		9,064,367
Compensated Absences		12,544,604
Total Current Liabilities		92,815,573
Noncurrent Liabilities		
Lease Purchase Obligations		219,185,600
Compensated Absences		8,319,032
Net Other Post Employment Benefits Liability		432,921,805
Net Pension Liability		305,027,775
Total Noncurrent Liabilities		965,454,212
Total Liabilities		1,058,269,785
Deferred Inflows of Resources		72,367,249
NET POSITION		
Net Investment in Capital Assets		735,167,675
Restricted for:		
Nonexpendable		112,042
Expendable		22,642,917
Unrestricted (Deficit)		(559,370,824)
Total Net Position	$	198,551,810

GEORGIA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2018

EXHIBIT "B"

OPERATING REVENUES	
Student Tuition and Fees (Net)	$ 296,775,566
Grants and Contracts	
Federal	82,873,514
State	10,882,423
Other	55,971,389
Sales and Services	24,016,699
Rents and Royalties	177,701
Auxiliary Enterprises (Net)	
Residence Halls	18,081,307
Bookstore	1,684,311
Food Services	17,455,763
Parking /Transportation	8,786,936
Health Services	3,525,000
Intercollegiate Athletics	19,338,612
Other Organizations	6,928,142
Other Operating Revenues	1,757,986
Total Operating Revenues	548,255,349
OPERATING EXPENSES	
Faculty Salaries	203,276,295
Staff Salaries	249,038,686
Employee Benefits	144,876,807
Other Personal Services	2,259,937
Travel	7,016,091
Scholarships and Fellowships	60,154,443
Utilities	20,863,659
Supplies and Other Services	189,638,364
Depreciation	54,179,977
Total Operating Expenses	931,304,259
Operating Loss	(383,048,910)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	267,904,773
Grants and Contracts	
Federal	104,969,524
Other	4,441,703
Gifts	1,449,864
Investment Income (Endowments, Auxiliary and Other)	2,669,139
Interest Expense (Capital Assets)	(12,107,964)
Other Nonoperating Revenues (Expenses)	291,197
Net Nonoperating Revenues	369,618,236
Loss Before Other Revenues, Expenses, Gains, or Losses	(13,430,674)
Capital Grants and Gifts	
State	15,915,107
Other	7,383,324
Special Item	2,143,660
Total Other Revenues, Expenses, Gains or Losses	25,442,091
Change in Net Position	12,011,417
Net Position - Beginning of Year - Restated	186,540,393
Net Position - End of Year	$ 198,551,810

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2018

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

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(383,048,910)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Depreciation		54,179,977
Change in Assets and Liabilities:		
Receivables, Net		(2,489,617)
Inventories		128,553
Prepaid Items		(1,140,184)
Notes Receivable, Net		367,108
Accounts Payable		12,287,400
Salaries Payable		105,022
Deposits		11,752
Advances (Including Tuition and Fees)		1,605,342
Other Liabilities		151,696
Funds Held for Others		(8,481)
Compensated Absences		276,323
Due to Affliated Organizations		676,465
Net Pension Liability		(31,498,573)
Other Post-Employment Benefit Liability		(1,831,286)
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		29,883,063
Deferred Outflows of Resources		1,926,131
Net Cash Used by Operating Activities	$	(318,418,219)

NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Financing Activities Accounts Receivable Accrual, Net of Allowance	$	3,021,522
Gift of Capital Assets	$	7,373,641
Loss on Disposal of Capital Assets	$	(390,053)
Accrual of Capital Asset Related Payables	$	2,601,999
Capital Assets Acquired by Incurring Capital Lease Obligations	$	952,773
Gain/Loss on Capital Debt Refunded	$	(10,751,893)
Amortization of Deferred Gain/Loss of Capital Debt Refunded	$	704,783
Special Item - Capital Asset Transfer	$	2,143,660
Unrealized Gain on Investments	$	5,781

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The State's CAFR as of and for the year ended June 30, 2018 has not been issued as of the release of this report. 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 found at https://sao.georgia.gov/comprehensive-annual-financial-reports.

BASIS OF ACCOUNTING ANDF FINANCIAL STATEMENT PREPARATION

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

The University's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra- fund transactions have been eliminated.

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

CAPITAL LIABILITY RESERVE FUND

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each Institution. The balance included on the University's Statement of Net Position represents the University's contribution to the Fund.

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 Georgia State Financing and Investment Commission (GSFIC).

Restricted – non-expendable net position includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted-expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $305,535.46. 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.

RESTATEMENT NOTE DISCLOSURE

The University made the following restatements related to business-type activities:

Net position, Beginning of Year, As Originally Reported	$	611,076,696
Change in accounting principles		(424,536,303)
Net Position, Beginning of Year, Restated	$	186,540,393

For fiscal year 2018, the University made prior period adjustments due to the adoption of GASB Statement No. 75, which required the restatement of the June 30, 2017, net position. The result is a decrease in net position at July 1, 2017 of $424,536,303 of which $434,753,091 is represented in Net OPEB Liability and $10,216,788 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

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

DEPOSITS

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 (O.C.G.A.) §50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Letters of credit issued by a Federal Home Loan Bank.

7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

At June 30, 2018, the bank balances of the University's deposits totaled $43,867,007. Of these deposits, $0 were exposed to custodial credit risk.

INVESTMENTS

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

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

Board of Regents Pooled Investment Program

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

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

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

1. Short-Term Fund
   The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of ¾ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2018 was $77,753,876, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.71 years.

2. Balanced Income Fund
   The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is

appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 70%, with a target of 65% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2018 was $46,614, of which 68% is invested in debt securities. The Effective Duration of the Fund is 4.01 years.

3. Diversified Fund
The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

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

Office of the State Treasurer Investment Pools
The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1 per share. The value of the University's share of the Georgia Fund 1 Investment Pool at June 30, 2018 was $88,408,608. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 10 days.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk attempts to match investments with expected cash requirements.

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

NOTE 3: ACCOUNTS RECEIVABLE

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

Student Tuition and Fees	$	17,984,516
Auxiliary Enterprises and Other Operating Activities		2,464,033
Federal Financial Assistance		17,523,017
Georgia State Financing and Investment Commission		3,021,522
Due from Affiliated Organizations		5,782,171
Due from USO - Capital Liability Reserve		1,414,211
Other		18,819,016
		67,008,486
Less Allowance for Doubtful Accounts		7,478,792
Net Accounts Receivable	$	59,529,694

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

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

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items. On January 11, 2018, The Board of Regents accepted a gift of approximately 5.669 acres of real property, located at 445 Capitol Ave, Atlanta, GA 30315, from the Georgia Building Authority for the use and benefit of Georgia State University. The land and improvements, formerly known as the Department of Juvenile Justice Parking Lot, are valued at $2,129,900 and $13,760 respectively.

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

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

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

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

	Current Liabilities
Prepaid Tuition and Fees	$ 23,122,267
Other - Advances	5,658,379
Total Unearned Revenue	$ 28,780,646

NOTE 6: LONG-TERM LIABILITIES

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

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

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2017 and June 30, 2018, consisted of the following:

	(Restated) Fiscal Year 2017	Fiscal Year 2018
Deferred Outflows of Resources		
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	$ 89,512,601	$ 54,503,861
Deferred Loss on OPEB Plan (See Note 14)	10,216,788	26,718,083
Total Deferred Outflows of Resources	$ 99,729,389	$ 81,221,944
Deferred Inflows of Resources		
Deferred Gain on Debt Refunding	$ 6,163,284	$ 16,210,394
Unavailable Revenues	21,062,136	18,818,890
Deferred Gain on Defined Benefit Pension Plans (See Note 11)	7,454,902	4,694,885
Deferred Gain on OPEB Plan (See Note 14)	-	32,643,080
Total Deferred Inflows of Resources	$ 34,680,322	$ 72,367,249

NOTE 8: NET POSITION

Changes in net position for the year ended June 30, 2018 are as follows:

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

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

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

NOTE 9: ENDOWMENTS

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

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

NOTE 10: 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 2018 were $10,109,417 and $12,812,747, respectively. Interest rates range up to 7.362%.

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

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

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

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

(1) These leases are related party transactions.

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

OPERATING LEASES

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

FUTURE COMMITMENTS

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

	Capital Leases	Operating Leases
Year Ending June 30:		
2019	$ 23,802,738	$ 6,642,032
2020	21,532,245	5,511,069
2021	21,323,626	5,558,702
2022	21,252,287	4,762,726
2023	21,269,535	4,887,027
2024 through 2028	107,354,945	5,548,718
2029 through 2033	106,087,207	663,580
2034 through 2038	74,109,221	663,580
2039 through 2043	396,520	663,580
2044 through 2048	112,348	663,580
2049 through 2053	-	530,866
Total Minimum Lease Payments	$ 397,240,672	$ 36,095,460
Less: Interest	140,568,607	
Less: Executory Costs	28,422,098	
Principal Outstanding	$ 228,249,967	

NOTE 11: RETIREMENT PLANS

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

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

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

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 O.C.G.A. §47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at 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 6.00 % of their annual pay during fiscal year 2018. The University's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the University payroll. The University's contributions to TRS totaled $33,099,169 for the year ended June 30, 2018.

General Information about the Employees' Retirement System

Plan description: ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at 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. The required contribution rate for the year ended June 30, 2017 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled $234,157 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

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

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

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

The University's contributions subsequent to the measurement date of $33,099,169 for TRS and $234,157 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

Teachers Retirement System:

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

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements 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 the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Employees' Retirement System

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

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

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

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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%	13.5%
International developed market equities	19.40%	17.80%	8.00%
International emerging market equities	5.60%	5.20%	12.00%
Alternatives	-	5.00	10.50%
Total	100.00%	100.00%	

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

Discount rate: The discount rate used to measure the total TRS and ERS pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Teachers Retirement System

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 497,909,119.00	$ 303,396,418.00	$ 143,161,672.00

Employees' Retirement Systems

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 2,302,579.00	$ 1,631,357.00	$ 1,058,784.00

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/financials, respectively.

B. Defined Contribution Plan

Regents Retirement Plan

Plan Description

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

Funding Policy

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

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

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

NOTE 12: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care plan options were available: BlueChoice HMO, (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 retirees pay premiums to the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

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

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

The University is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A. §45-9-1.

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

NOTE 13: CONTINGENCIES

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

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Board of Regents Retiree Health Benefit Plan

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

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

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

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

Active Employees	$	5,500
Retirees or Beneficiaries Receiving Benefits		1,517
Retirees Receiving Life Insurance Only		328
Total	$	7,345

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

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. With regard to life insurance, the employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

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

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

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

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

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

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

Year Ended June 30:		
2019	$	(4,468,728)
2020	$	(4,468,728)
2021	$	(4,468,728)
2022	$	(4,468,728)
2023	$	(4,248,532)

Actuarial assumptions

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

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

Changes in Assumptions Since Prior Valuation

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

GEORGIA STATE UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2018

SCHEDULE "1"

ASSETS		
Cash and Cash Equivalents	$	121,294,809.62
Investments		
Accounts Receivable		
Federal Financial Assistance		16,136,964.67
Other		34,314,634.27
Prepaid Expenditures		718,618.63
Inventories		130,935.63
Other Assets		5,781,199.95
Total Assets	$	178,377,162.77
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	3,056,405.71
Encumbrances Payable		29,372,425.38
Accounts Payable		13,579,328.91
Unearned Revenue		41,342,078.91
Other Liabilities		2,052,093.51
Total Liabilities		89,402,332.42
Fund Balances		
Reserved		
Capital Outlay		3,309,000.00
Department Sales and Services		12,352,334.85
Indirect Cost Recoveries		49,382,940.00
Technology Fees		5,957,159.84
Restricted/Sponsored Funds		2,160,672.57
Uncollectible Accounts Receivable		6,612,592.08
Tuition Carry-Over		8,684,259.74
Inventories		210,335.81
Unreserved		
Surplus		305,535.46
Total Fund Balances		88,974,830.35
Total Liabilities and Fund Balances	$	178,377,162.77

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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GEORGIA STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
FISCAL YEAR ENDED JUNE 30, 2018

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

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Funds Available Compared to Budget				Expenditures Compared to Budget		
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	Excess of Funds Available Over
$ -	$ -	$ 65,000.00	$ -	$ 65,000.00	$ -	$ -
$ -	-	65,000.00	-	65,000.00	-	-
-	-	268,069,975.00	-	268,069,975.00	-	-
68,074,193.26		718,826,180.95	(125,703,032.05)	637,252,163.64	207,277,049.36	81,574,017.31
68,074,193.26	-	986,896,155.95	(125,703,032.05)	905,322,138.64	207,277,049.36	81,574,017.31
$ 68,074,193.26	$ -	$ 986,961,155.95	$ (125,703,032.05)	$ 905,387,138.64	$ 207,277,049.36	$ 81,574,017.31

GEORGIA STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2018

	Beginning Fund Balance July 1	Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	$ 181,548.06	$ -	$ (181,548.06)	$ 276,691.64
Other Funds	68,122,847.32	(68,074,193.26)	(48,654.06)	208,642.39
Total Teaching	$ 68,304,395.38	$ (68,074,193.26)	$ (230,202.12)	$ 485,334.03
Prior Year Reserves				
Not Available for Expenditure				
Inventories	$ 298,235.30	$ -	$ -	$ -
Uncollectible Accounts Receivable	6,617,243.71	-	-	-
Budget Unit Totals	$ 75,219,874.39	$ (68,074,193.26)	$ (230,202.12)	$ 485,334.03

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Other Adjustments	Early Return Fiscal Year 2018 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ -	$ -	$ -	$ 276,691.64	$ -	$ 276,691.64	$ 276,691.64
92,551.12	-	81,574,017.31	81,875,210.82	81,846,367.00	28,843.82	81,875,210.82
$ 92,551.12	$ -	$ 81,574,017.31	$ 82,151,902.46	$ 81,846,367.00	$ 305,535.46	$ 82,151,902.46
$ (87,899.49)	$ -	$ -	$ 210,335.81	$ 210,335.81	$ -	$ 210,335.81
(4,651.63)	-	-	6,612,592.08	6,612,592.08	-	6,612,592.08
$ -	$ -	$ 81,574,017.31	$ 88,974,830.35	$ 88,669,294.89	$ 305,535.46	$ 88,974,830.35

Summary of Ending Fund Balance	Reserved	Surplus	Total
Reserved			
Capital Outlay	$ 3,309,000.00	$ -	$ 3,309,000.00
Department Sales and Services	12,352,334.85	-	12,352,334.85
Indirect Cost Recoveries	49,382,940.00	-	49,382,940.00
Technology Fees	5,957,159.84	-	5,957,159.84
Restricted/Sponsored Funds	2,160,672.57	-	2,160,672.57
Uncollectible Accounts Receivable	6,612,592.08	-	6,612,592.08
Tuition Carry-Over	8,684,259.74	-	8,684,259.74
Inventories	210,335.81	-	210,335.81
Unreserved			
Surplus	-	305,535.46	305,535.46
Total Ending Fund Balance - June 30	$ 88,669,294.89	$ 305,535.46	$ 88,974,830.35

SECTION II

ENTITY’S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

The auditor is required to communicate to management and those charged with governance control deficiencies identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

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

Internal control deficiencies identified during the course of this engagement that were considered to be significant deficiencies and/or material weaknesses are presented below:

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001 Federal Work Study Earmarking Requirements

Compliance Requirement:	Matching Level of Effort, Earmarking
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.033 Federal Work-Study Program
Federal Award Number:	P033A171006 (Year: 2018)
Questioned Cost:	$44,685.97

Description:
The Institution did not use at least seven percent of the sum of its initial and supplemental Federal Work-Study (FWS) allocations for any award year to compensate students employed in community service activities.

Criteria:
Provisions included in 34 CFR 675.18 provide requirements for the use of FWS Program funds.

Condition:
Our review of expenditures related to the FWS Program, noted that the proper amount was not expended for community service activities. The FWS amount authorized for the Institution was $1,868,126.00. Seven percent of the authorization is $130,768.82. The Institution expended $86,082.52 for community service activities. The Institution should have expended an additional $44,685.97 for community service activities to be in compliance with Federal regulations.

Questioned Cost:
Questioned costs of $44,685.97 were identified for the additional amounts that should have been expended for community services activities.

Cause:
In discussing this deficiency with management, they stated the reason for the deficiency was a result of students working less hours than expected. Students are awarded $2,500.00 per term or $5,000.00 per award year as a standard practice. The fifty-nine students employed in community service would have been awarded funds that totaled a minimum of $147,500.00 for one term and a maximum of $295,000.00 for two terms. However, 47 of these students earned less than a one term award resulting in the variance between seven percent requirement of $130,768.82 and the actual expenditures.

Effect or Potential Effect:
The Institution was not in compliance with Federal regulations concerning the use of FWS Program funds.

Recommendation:
The Institution should establish procedures to ensure that the proper amount of FWS Program funds is expended for community service activities. Additionally, the Institution should develop and implement a monitoring process to ensure that controls are operating properly. The Institution should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials:
We concur with the finding.

OTHER ITEMS

No matters were reported.

SECTION IV

MANAGEMENT'S CORRECTIVE ACTION

FA 2018-001 Federal Work Study Earmarking Requirements

Compliance Requirement:	Matching Level of Effort, Earmarking
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.033 Federal Work-Study Program
Federal Award Number:	P033A171006 (Year: 2018)
Questioned Cost:	$44,685.97

Description:

The Institution did not use at least seven percent of the sum of its initial and supplemental Federal Work-Study (FWS) allocations for any award year to compensate students employed in community service activities.

Corrective Action Plans:

Guidance from the US Department of Education suggests that the institution is entitled to a waiver of the Federal Work-Study earmarking requirement in response to the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. The Institution did not apply for the waiver within the appropriate time frame. The institution has already taken corrective actions to ensure a repeat finding does not occur in the 2018-19 award year. The Institution will significantly increase the number of students employed in community service and literacy related activities to account for the reduced earnings of students employed in these roles. Second, the Institution will monitor the expenditures in this area to ensure that a waiver is obtained or reallocation of resources is accomplished within the appropriate time frames.

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