

UNIVERSITY of WEST GEORGIA

Unaudited Financial Report

For the Year Ended
June 30, 2005

University of West Georgia

Carrollton, Georgia

Dr. Beheruz N. Sethna
President

William N. Gauthier
Vice President for Business & Finance

UNIVERSITY of WEST GEORGIA
ANNUAL FINANCIAL REPORT
FY 2005

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UNIVERSITY of WEST GEORGIA

Management's Discussion and Analysis

Introduction

University of West Georgia is one of the 34 institutions of the University System of Georgia, is a charter member of the University System of Georgia and is a selectively focused, public comprehensive institution providing undergraduate and graduate education in arts and sciences, business and education. The University located in Carrollton, Georgia, was founded in 1906, and remains second to none in relation to our theme of *Educational Excellence in a Personal Environment*. The wide range of educational opportunities, offered by the University attracts a highly qualified faculty and a student body of more than 10,000 students each year. In general we continue to grow, as shown by the year to year comparison numbers that follow.

West Georgia offers a range of disciplinary, interdisciplinary and professional programs at the baccalaureate level. There are 113 programs of study, including 60 at the Bachelors level, 52 at the Masters and Specialists level, and one Doctoral program. During the 2004 fiscal year, the Southern Association of Colleges and Schools (SACS) reaffirmed UWG's accreditation for 10 years based on the February 2003 accreditation visit. In addition, the University has achieved national recognition in several areas including academic debate, faculty-directed student research and athletic competition.

Although enrollment reached a plateau in fall 2005, our enrollment projections still forecast that our solid 3% average historical increase will continue, toward our eventual student body of 15-16000 students.

	<u>Faculty</u>	<u>Students</u>
FY2005	405	10,216
FY2004	398	10,255
FY2003	355	9,675

Overview of the Financial Statements and Financial Analysis

University of West Georgia is proud to present its financial statements for fiscal year 2005. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 FY 2004 and FY 2005.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of University of West Georgia. The Statement of Net Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). The difference between current and non-current assets will be discussed in the footnotes to the financial statements.

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

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Statement of Net Assets, Condensed

	June 30, 2005	June 30, 2004
Assets:		
Current Assets	\$16,284,666.22	\$16,349,507.20
Capital Assets, net	66,411,670.82	57,806,738.27
Other Assets	1,764,942.25	1,863,246.96
Total Assets	84,461,279.29	76,019,492.43
Liabilities:		
Current Liabilities	9,060,671.60	8,698,111.90
Noncurrent Liabilities	3,414,441.96	2,616,201.25
Total Liabilities	12,475,113.56	11,314,313.15
Net Assets:		
Invested in Capital Assets, net of debt	65,197,919.79	56,421,479.02
Restricted - nonexpendable		
Restricted - expendable	2,094,935.23	2,060,580.45
Capital Projects		
Unrestricted	4,693,310.71	6,223,119.81
Total Net Assets	\$71,986,165.73	\$64,705,179.28

The total assets of the institution increased by \$8,441,786.86. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase in capital assets, invested in plant of \$8,604,932.55 net of accumulated depreciation. The capital asset additions follow the institutional philosophy to utilize resources as efficiently as possible, yet insure that we continue to maintain and improve our support of the institutions instruction, research and public service missions.

The total liabilities for the year increased by \$1,160,800.41. The primary cause for the increase was in non-current liabilities, primarily \$943,358.70 in capital payables, which contributed to the increase in invested in capital assets, net of debt. The combination of the increase in total assets of \$8,441,786.86 and the increase in total liabilities of \$1,160,800.41 yields an increase in total net assets of \$7,280,986.45. The increase in total net assets is primarily in the amounts invested in capital assets, net of debt.

Statement of Revenues, Expenses and Changes in Net Assets

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

Statement of Revenues, Expenses and Changes in Net Assets, Condensed

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating Revenues	\$48,097,307.70	\$43,096,644.88
Operating Expenses	<u>89,005,582.69</u>	<u>85,031,127.81</u>
Operating Loss	(40,908,274.99)	(41,934,482.93)
Nonoperating Revenues and Expenses	<u>40,680,869.60</u>	<u>37,653,186.58</u>
Income (Loss) Before other revenues, expenses, gains or losses	(227,405.39)	(4,281,296.35)
Other revenues, expenses, gains or losses	<u>7,508,391.84</u>	<u>3,421,839.36</u>
Increase in Net Assets	7,280,986.45	(859,456.99)
Net Assets at beginning of year, as originally reported	64,705,179.28	65,513,416.04
Prior Year Adjustments		51,220.23
Net Assets at beginning of year, restated	<u>64,705,179.28</u>	<u>65,564,636.27</u>
Net Assets at End of Year	<u>\$71,986,165.73</u>	<u>\$64,705,179.28</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

Revenue by Source
For the Years Ended June 30, 2005 and June 30, 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating Revenue		
Tuition and Fees	\$19,727,822.49	\$18,967,484.51
Federal Appropriations		
Grants and Contracts	9,061,222.57	8,914,580.67
Sales and Services	404,653.64	271,488.40
Auxiliary	18,460,016.84	14,307,960.89
Other	443,592.16	635,130.41
	<u>48,097,307.70</u>	<u>43,096,644.88</u>
Total Operating Revenue		
Nonoperating Revenue		
State Appropriations	39,338,796.31	38,308,824.05
Grants and Contracts		
Gifts	905,290.01	
Investment Income	433,435.02	193,578.47
Other	40,449.01	(847,188.11)
	<u>40,717,970.35</u>	<u>37,655,214.41</u>
Total Nonoperating Revenue		
Capital Gifts and Grants		
State	6,916,163.29	3,246,839.36
Other Capital Gifts and Grants	592,228.55	175,000.00
	<u>7,508,391.84</u>	<u>3,421,839.36</u>
Total Capital Gifts and Grants		
Total Revenues	<u>\$96,323,669.89</u>	<u>\$84,173,698.65</u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2005 and June 30, 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating Expenses		
Instruction	\$35,199,043.56	\$34,713,240.31
Research	972,673.83	860,659.05
Public Service	166,246.75	163,571.16
Academic Support	10,797,062.17	11,253,016.14
Student Services	5,045,757.20	4,816,802.95
Institutional Support	8,146,114.15	8,152,838.24
Plant Operations and Maintenance	7,536,434.06	10,420,879.21
Scholarships and Fellowships	1,164,026.94	1,419,185.97
Auxiliary Enterprises	17,360,197.28	13,230,934.78
Unallocated Expenses	2,618,026.75	
Patient Care (MCG only)		
Total Operating Expenses	<u>89,005,582.69</u>	<u>85,031,127.81</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>37,100.75</u>	<u>2,027.83</u>
Total Expenses	<u>\$89,042,683.44</u>	<u>\$85,033,155.64</u>

The University's second major revenue source of student generated tuition and fees increased by \$1,263,772 due primarily to the 5% tuition increase authorized by the Board of Regents, and effective Fall semester. As mentioned earlier the headcount for the year was flat.

Grants and contracts increased in total by \$146,641 primarily due to an increase in the amount of federal grants booked, of \$324,104.31. This was offset by a reduction of state and other grants in the amount, in the amount of \$177,462.41.

Sales and service revenue is internally generated revenue from sources such as continuing education fees and printing and publication. Increased volume created additional dollars of \$133,165.

Auxiliary housing revenues increased by \$1,100,431 as a result of an increase in room rents of 4% and a result of the university's strategic planning that added 343 additional beds on campus.

In fall of 2004 the university opened the University Suites, which encompasses 612 beds of new housing. The suites are privatized, meaning that they were constructed on university land, under a ground lease, and then leased back to the university by the foundation, for twenty five years. The University of West Georgia Foundation is a component unit of the University. The long term lease is reflected in the notes as an operating lease.

At the same time, we also tore down the 269-bed Strozier Hall, a traditional campus dormitory. The net effect is an increase of 343 beds on campus. In fall of 2005, we will open the second phase of our housing plan, adding 602 new beds, and removing Roberts Hall which has 400 beds. Again we will add to the bed inventory, by about 200 beds.

The compensation and employee benefits category increased by approximately \$1,552,453.06. The increase reflects increased costs for health insurance, and the 2% raise that went into effect in January for the second half of the fiscal year.

Utilities decreased by approximately (\$170,151.58) during the past year. The decrease was the result of aggressive management of our utility operations, to insure that we operate as efficiently as possible. Our efforts were offset by the continuing increases in the cost of natural gas and electricity. If cost increases continue, it will become increasingly difficult to keep the costs from going out of control.

Under non-operating revenues (expenses) state appropriations increased by \$1,029,972.26. Although we did get more operating money from the state this year, we are still suffering from the prior year reductions of state appropriations system-wide, due to a sluggish economy. We suffered cuts of 20% of our budget and that has created a challenge for all institutions of the University System of Georgia and, thus, for University of West Georgia. We are hopeful that the economy is now on an upward trend and that we can recover some of those cuts in the future.

Statement of Cash Flows

The final statement presented by the University of West Georgia is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from 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 the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Cash Flows for the Years Ended June 30, 2005 and 2004, Condensed

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cash Provided (used) By:		
Operating Activities	(\$35,130,549.85)	(\$37,366,477.39)
Non-capital Financing Activities	39,796,529.24	38,999,934.51
Capital and Related Financing Activities	(5,033,908.32)	(1,984,005.72)
Investing Activities	449,635.02	221,784.76
Net Change in Cash	81,706.09	(128,763.84)
Cash, Beginning of Year	13,271,306.01	13,400,069.85
Cash, End of Year	<u>\$13,353,012.10</u>	<u>\$13,271,306.01</u>

Capital Assets

The University had some major capital asset additions for facilities in fiscal year 2005, totaling \$8.5m dollars. The primary project completed was the \$3.1m Campus Electrical Infrastructure project. This project enhances our electrical to meet the demands of tomorrow. Other major projects in the approximately \$1m range included the completion of Adamson Hall, replacement of the Education Center HVAC system, design and planning costs for the Health Wellness Building, completion additions for the TLC, replacement of the mechanical systems in the Art Annex for \$250k, replacing the Biology roof for \$424k and numerous smaller projects in the \$50 to \$100k range. All of these projects follow the University's philosophy and strategic objectives of continuing to upgrade our buildings grounds and systems to support our clients and thus have the most beautiful campus in the University System of Georgia.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 9 in the notes to the financial statements.

Long Term Debt

University of West Georgia had a Long-Term Debt of \$4,877,597.93 of which \$1,673,155.93 was reflected as current liability at June 30, 2005.

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

Component Units

In compliance with GASB Statement No. 39, University of West Georgia has included the financial statements and notes for all required component units for FY2005. The University of West Georgia Foundation had endowment investments of \$12.7 M as of December 31, 2004, and long-term debt of \$38.6 M. The UWG Real Estate Foundation had long-term debt of \$ 30.9 M in the form of one bond issue. Those funds are being invested and held by the Bank of New York as trustee, while construction of the new Campus Center is underway. The project is set to open in summer 2006. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

Economic Outlook

Although enrollment reached a plateau in fall 2005, the University continues to have a strong enrollment picture. Our projections still forecast that our solid 3% average historical increase will continue, toward our eventual student body of 15-16,000 students, and we expect that the enrollment trend will start back up in 2006.

Overall our projected growth is coming at a time when the State of Georgia is just starting to come out of the economic doldrums. For the first time in three years, our state support increased after the "tough-to-take" 16.3% cuts we absorbed the prior 3 years, amounting to a total of almost \$6M, operating and MRR funds.

Overall the market position of the University is strong, and although we have issues, we have an administrative team that pulls together even to take on the challenges. We continue to manage this institution very efficiently and have one of the lowest cost-per-student ratios in the university system. As we move into fiscal year 2006, we expect strong continued growth in undergraduate enrollment, a continued need to manage our resources efficiently, and the maintenance of our conservative approach to budget forecasting and management. New buildings coming on to support our needs include the new Arbor View Apartments (fall 2005), the University Center (recreation center and student union) under construction (fall 2006) and the Health Wellness Building which should start construction in summer 2006.

The 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.

Dr. Beheruz N. Sethna
President
University of West Georgia

Statement of Net Assets

UNIVERSITY OF WEST GEORGIA
STATEMENT OF NET ASSETS
June 30, 2005

	Component Units		
	University of West Georgia	University of West Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$13,353,012.10	\$1,879,912.00	\$26,312,614.00
Short-term Investments	616,200.00	18,684,928.00	
Accounts Receivable, net			
Receivables - Federal Financial Assistance	324,395.61		
Receivables - State General Appropriations Allotment			
Receivables - Other	867,977.08		299,277.00
Due from Primary Government		2,144.00	86,739.00
Leases Receivable			
Pledges Receivable		586,806.00	
Inventories	799,779.82		
Prepaid items	323,301.61		51,132.00
Notes and Mortgages Receivable		68,586.00	
Other Assets		27,582.00	814,761.00
Total Current Assets	16,284,666.22	21,249,958.00	27,564,523.00
Noncurrent Assets			
Noncurrent Cash			
Investments (including Real Estate)		12,664,768.00	
Notes Receivable, net	1,764,942.25		
Leases Receivable			
Pledges Receivable		83,000.00	
Capital Assets, net	66,411,670.82	20,159,050.00	5,660,911.00
Total Noncurrent Assets	68,176,613.07	32,906,818.00	5,660,911.00
TOTAL ASSETS	84,461,279.29	54,156,776.00	33,225,434.00
LIABILITIES			
Current Liabilities			
Accounts Payable	448,965.80		1,494,777.00
Salaries Payable	231,067.95		
Benefits Payable			
Contracts Payable	559,197.59		353,277.00
Deposits	458,315.50		
Deferred Revenue	4,509,390.25		
Other Liabilities	334,820.06		1,021,022.00
Deposits Held for Other Organizations	969,019.48		
Due to Component Unit	86,739.00		
Current Portion of Long-term Debt	270,392.93	1,191,032.00	7,476.00
Compensated Absences (current portion)	1,192,763.04		
Total Current Liabilities	9,060,671.60	1,191,032.00	2,876,552.00
Noncurrent Liabilities			
Lease Purchase Obligations (noncurrent)	943,358.70		
Deferred Revenue (noncurrent)	1,505,000.00		
Compensated Absences (noncurrent)	966,083.26		
Deposits			
Liabilities under Split-Interest Agreements			
Other Long-Term Liabilities		37,694,382.00	30,930,376.00
Total Noncurrent Liabilities	3,414,441.96	37,694,382.00	30,930,376.00
TOTAL LIABILITIES	12,475,113.56	38,885,414.00	33,806,928.00
NET ASSETS			
Invested in Capital Assets, net of related debt	65,197,919.79	178,766.00	
Restricted for			
Nonexpendable		13,227,827.00	
Expendable	2,094,935.23	1,377,454.00	
Capital Projects			
Unrestricted	4,693,310.71	487,315.00	(581,494.00)
TOTAL NET ASSETS	\$71,986,165.73	\$15,271,362.00	(\$581,494.00)

Statement of Revenues, Expenses and Changes in Net Assets

UNIVERSITY OF WEST GEORGIA
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2005

	Component Units		
	University of West Georgia	University of West Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.
REVENUES			
Operating Revenues			
Student Tuition and Fees (net of allowance for doubtful accounts)	\$25,266,357.99	\$0.00	\$0.00
Less: Scholarship Allowances	5,538,535.50		
Gifts and Contributions		1,442,856.00	
Endowment Income (per spending plan)		471,862.00	
Federal Appropriations			
Grants and Contracts			
Federal	7,456,809.70		
State	581,984.00		
Other	1,022,428.87		
Sales and Services	404,653.64		
Rents and Royalties	12,188.00		
Auxiliary Enterprises			
Residence Halls	6,678,791.43		
Bookstore	3,350,147.84		
Food Services	3,680,090.84		
Parking/Transportation	640,789.13		
Health Services	1,364,793.60		
Intercollegiate Athletics	2,349,533.10		
Other Organizations	395,870.90		
Other Operating Revenues	431,404.16	766,223.00	
Total Operating Revenues	<u>48,097,307.70</u>	<u>2,680,941.00</u>	<u>0.00</u>
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	23,182,577.80		
Staff	23,734,930.18	371,685.00	
Benefits	12,260,829.19	90,186.00	
Other Personal Services			
Travel	845,584.26		
Scholarships and Fellowships	2,318,113.09		
Utilities	2,971,140.48		
Supplies and Other Services	18,973,861.61	858,047.00	
Depreciation	4,718,546.08		17,087.00
Payments to or on behalf of University of West Georgia		1,077,504.00	
Total Operating Expenses	<u>89,005,582.69</u>	<u>2,397,422.00</u>	<u>17,087.00</u>
Operating Income (loss)	<u>(40,908,274.99)</u>	<u>283,519.00</u>	<u>(17,087.00)</u>

Statement of Revenues, Expenses and Changes in Net Assets, Continued

UNIVERSITY OF WEST GEORGIA
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2005

	<u>Component Units</u>		
	<u>University of West Georgia</u>	<u>University of West Georgia Foundation, Inc.</u>	<u>UWG Real Estate Foundation, Inc.</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	39,338,796.31		
Grants and Contracts			
Federal			
State			
Other			
Gifts	905,290.01		
Investment Income (endowments, auxiliary and other)	433,435.02	997,686.00	471,458.00
Interest Expense (capital assets)	(37,100.75)		(1,016,394.00)
Other Nonoperating Revenues	40,449.01		(19,471.00)
Net Nonoperating Revenues	<u>40,680,869.60</u>	<u>997,686.00</u>	<u>(564,407.00)</u>
Income before other revenues, expenses, gains, or loss	(227,405.39)	1,281,205.00	(581,494.00)
Capital Grants and Gifts			
Federal			
State	6,916,163.29		
Other	592,228.55		
Additions to permanent endowments		376,956.00	
Total Other Revenues	<u>7,508,391.84</u>	<u>376,956.00</u>	<u>0.00</u>
Increase in Net Assets	7,280,986.45	1,658,161.00	(581,494.00)
NET ASSETS			
Net Assets-beginning of year, as originally reported	64,705,179.28	13,613,201.00	
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>64,705,179.28</u>	<u>13,613,201.00</u>	
Net Assets-End of Year	<u>\$71,986,165.73</u>	<u>\$15,271,362.00</u>	<u>(\$581,494.00)</u>

Statement of Cash Flows

UNIVERSITY OF WEST GEORGIA STATEMENT OF CASH FLOWS For the Year Ended June 30, 2005

	<u>June 30, 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$19,735,201.02
Federal Appropriations	
Grants and Contracts (Exchange)	9,190,207.71
Sales and Services of Educational Departments	230,388.69
Payments to Suppliers	(34,956,337.69)
Payments to Employees	(46,738,528.02)
Payments for Scholarships and Fellowships	(2,318,113.09)
Loans Issued to Students and Employees	(411,162.08)
Collection of Loans to Students and Employees	509,466.79
Auxiliary Enterprise Charges:	
Residence Halls	6,790,689.49
Bookstore	3,353,171.58
Food Services	3,861,206.94
Parking/Transportation	647,714.60
Health Services	1,369,082.46
Intercollegiate Athletics	2,349,240.28
Other Organizations	598,255.08
Other Receipts (payments)	658,966.39
Net Cash Provided (used) by Operating Activities	<u>(35,130,549.85)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	39,338,796.31
Agency Funds Transactions	5,310.40
Gifts and Grants Received for Other Than Capital Purposes	452,422.53
Net Cash Flows Provided by Non-capital Financing Activities	<u>39,796,529.24</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	
Proceeds from sale of Capital Assets	
Purchases of Capital Assets	(4,793,957.71)
Principal Paid on Capital Debt and Leases	(202,849.86)
Interest Paid on Capital Debt and Leases	(37,100.75)
Net Cash used by Capital and Related Financing Activities	<u>(5,033,908.32)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	16,200.00
Interest on Investments	433,435.02
Purchase of Investments	
Net Cash Provided (used) by Investing Activities	<u>449,635.02</u>
Net Increase/Decrease in Cash	81,706.09
Cash and Cash Equivalents - Beginning of year	13,271,306.01
Cash and Cash Equivalents - End of Year	<u><u>\$13,353,012.10</u></u>

Statement of Cash Flows, Continued

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (loss)	(\$40,908,274.99)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	4,718,546.08
Change in Assets and Liabilities:	
Receivables, net	31,684.26
Inventories	(40,777.42)
Other Assets	117,447.74
Accounts Payable	113,938.01
Deferred Revenue	293,040.59
Other Liabilities	432,934.14
Compensated Absences	110,911.74
	<hr/>
Net Cash Provided (used) by Operating Activities	(\$35,130,549.85)

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

Fixed assets acquired by incurring capital lease obligations	\$1,402,886.73
Gift of capital assets reducing proceeds of capital grants and gifts	(\$7,508,391.84)

UNIVERSITY of WEST GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies

Nature of Operations

University of West Georgia serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

Reporting Entity

University of West Georgia is one of thirty-four (34) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of University of West Georgia as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. University of West Georgia does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, University of West Georgia is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The Board of Regents of the University System of Georgia (and thus University of West Georgia) implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units - an amendment of Statement No. 14*, in fiscal year 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the Annual Financial Report for the institution. These statements (Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets) are reported discretely in the University's report. For FY2005, University of West Georgia is reporting the activity for the University of West Georgia Housing Foundation and the University of West Georgia Real Estate Foundation.

See Note 16. Component Units, for foundation notes.

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the University was also required to adopt GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be between fiscal years rather than in one fiscal year. Due to the lack of materiality, Institutions of the University System of Georgia will continue to report summer revenues and expenses in the year in which the predominate activity takes place.

Basis of Accounting

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents

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

Short-Term Investments

Short-Term Investments consist of investments of 90 days – 13 months. This would 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

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 Assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, and the Board of Regents Total Return Fund are included under Investments.

Accounts Receivable

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

Inventories

Consumable supplies are recorded on the consumption method and are valued at cost using the weighted average method. Resale inventories are valued at cost using the first-in, first-out ("FIFO") method.

Noncurrent Cash and Investments

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000.00 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and 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 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 obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. 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.

Effective July 1, 2001, the GSFIC retains construction in progress on their books throughout the construction period and transfers the entire project to University of West Georgia when complete. For the year ended June 30, 2005, GSFIC transferred capital additions valued at \$5,300,065.41 to University of West Georgia.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments in a University residence hall.

Deferred Revenues

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. University of West Georgia had accrued liability for compensated absences in the amount of \$2,047,934.56 as of 7-1-2004. For FY2005, \$1,601,146.87 was earned in compensated absences and employees were paid \$1,490,235.13 for a net increase of \$110,911.74. The ending balance as of 6-30-2005 in accrued liability for compensated absences was \$ 2,158,846.30.

Noncurrent Liabilities

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

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. 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 net assets - nonexpendable: Nonexpendable restricted net assets consist of 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. The University may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

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

Expendable Restricted Net Assets include the following:

	<u>June 30, 2005</u>
Restricted - E&G and Other Organized Activities	\$0.00
Federal Loans	1,838,744.86
Institutional Loans	256,190.37
Term Endowments	
Quasi-Endowments	
Total Restricted Expendable	<u><u>\$2,094,935.23</u></u>

Restricted net assets – expendable – Capital Projects: This represents resources for which the University is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the office of Treasury and Fiscal Services. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted Net Assets includes the following items which are quasi-restricted by management.

	<u>June 30, 2005</u>
R & R Reserve	\$2,860,411.26
Reserve for Encumbrances	4,388,609.95
Reserve for Inventory	128,993.55
Other Unrestricted	<u>(2,684,704.05)</u>
Total Unrestricted Net Assets	<u><u>\$4,693,310.71</u></u>

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

Income Taxes

University of West Georgia, 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

The University has classified its revenues as either operating or non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of sponsored and unsponsored scholarships, (2) sales and services of auxiliary enterprises, net of sponsored and unsponsored scholarships, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

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 Assets. 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.

Note 2. Cash and Cash Equivalents, Other Deposits, and Investments

A. Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the college/university's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the college/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, 2005, \$3,144,155.54 of the university's deposits were uninsured. Of these uninsured deposits, \$516,200.00 were collateralized with securities held by the financial institution's trust department or agent in the university's name, and \$2,627,955.54 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the university's name.

B. Investments

At June 30, 2005, the carrying value of the college/university's investment was \$12,531,669.56, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and Office of Treasury and Fiscal Services investment pools as follows:

<u>Investment Pool</u>	
Board of Regents	
Short-Term Fund	\$1,880,742.05
Office of Treasury and Fiscal Services	
Georgia Fund 1	<u>10,650,927.51</u>
	<u>\$12,531,669.56</u>

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

The Weighted Average Maturity of the Short Term Fund is 1.1 years. Of the University's total investment of \$1,880,742.05 in the Short Term Fund, \$1,818,935.66 is invested in debt securities.

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 24 days.

The State Depository Board, which has oversight over the Office of Treasury and Fiscal Services, may permit any department, board, bureau or other agency to invest funds collected directly by such organization in short term time deposit agreements, provided that the interest income of those funds is remitted to the Director of the Office of Treasury and Fiscal Services as revenues of the State of Georgia. As a matter of general practice, however, demand funds of any department, board, bureau or other agency in excess of current operating expenses, are required to be deposited with the Director of the Office of Treasury and Fiscal Services for the purpose of pooled investment (OCGA 50-17-63).

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2005:

	Beginning Balances 7/1/2004	Additions	Reductions	Ending Balance 6/30/2005
Capital Assets, Not Being Depreciated:				
Land	\$554,184.25	\$0.00	\$0.00	\$554,184.25
Construction Work-in-Progress	758,387.02	7,187,626.41	4,713,051.42	3,232,962.01
Total Capital Assets Not Being Depreciated	1,312,571.27	7,187,626.41	4,713,051.42	3,787,146.26
Capital Assets, Being Depreciated:				
Infrastructure		3,144,580.30		3,144,580.30
Building and Building Improvements	83,378,134.88	4,467,031.18	158,000.00	87,687,166.06
Facilities and Other Improvements	1,832,926.69			1,832,926.69
Equipment	11,710,449.48	1,273,890.09	134,710.76	12,849,628.81
Capital Leases	106,915.94	1,402,886.73		1,509,802.67
Library Collections	12,914,671.64	735,059.32	90,736.09	13,558,994.87
Capitalized Collections	13,516.00			13,516.00
Total Assets Being Depreciated	109,956,614.63	11,023,447.62	383,446.85	120,596,615.40
Less: Accumulated Depreciation				
Infrastructure		84,903.67		84,903.67
Buildings	34,176,415.66	2,762,031.72	44,108.33	36,894,339.05
Facilities and Other improvements	616,467.87	86,891.84		703,359.71
Equipment	8,807,534.16	1,205,396.36	74,111.54	9,938,818.98
Capital Leases	73,053.92	161,671.87		234,725.79
Library Collections	9,781,617.71	417,312.73	90,683.00	10,108,247.44
Capitalized Collections	7,358.31	337.89		7,696.20
Total Accumulated Depreciation	53,462,447.63	4,718,546.08	208,902.87	57,972,090.84
Total Capital Assets, Being Depreciated, Net	56,494,167.00	6,304,901.54	174,543.98	62,624,524.56
Capital Assets, net	\$57,806,738.27	\$13,492,527.95	\$4,887,595.40	\$66,411,670.82

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2005.

	<u>June 30, 2005</u>
Prepaid Tuition and Fees	\$2,980,143.90
Research	
Other Deferred Revenue	<u>1,529,246.35</u>
Totals	<u>\$4,509,390.25</u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Current Portion
Leases					
Lease Obligations	\$19,199.25	\$1,397,402.24	\$202,849.86	\$1,213,751.63	\$270,392.93
Other Liabilities					
Deferred Revenue (noncurrent)	1,715,000.00		210,000.00	1,505,000.00	
Compensated Absences	2,047,934.56	1,601,146.87	1,490,235.13	2,158,846.30	1,192,763.04
Total	<u>3,762,934.56</u>	<u>1,601,146.87</u>	<u>1,700,235.13</u>	<u>3,663,846.30</u>	<u>1,192,763.04</u>
Total Long Term Obligations	<u>\$3,782,133.81</u>	<u>\$2,998,549.11</u>	<u>\$1,903,084.99</u>	<u>\$4,877,597.93</u>	<u>\$1,463,155.97</u>

Note: The Current Portion of Deferred Revenue (\$210,000.00) is included in Note 7 – Deferred Revenue in the Other Deferred Revenue line.

Note 9. Significant Commitments

The University of West Georgia had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$ 3,149,338.50 as of June 30, 2005 which includes a committed GSFIC funded contract in the amount of \$939,200.00. This amount is not reflected in the accompanying basic financial statements.

Note 10. Lease Obligations

The University of West Georgia is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property and equipment.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2006 and 2010. Expenses for fiscal year 2005 were \$239,950.61 of which \$37,100.75 represented interest. Total principal paid on capital leases was \$202,849.86 for the fiscal year ended June 30, 2005. Interest rates were 8.05% and 4.71%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2005:

Equipment	<u>\$1,275,071.57</u>
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OPERATING LEASES

University of West Georgia's operating leases having remaining terms of more than one year expire in various fiscal years from 2006 through 2010. Certain operating leases provide for renewal options for periods from one to five years. All agreements are cancelable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers and other small equipment. The University has three real estates leases consisting of a lease for our bookstore, a rental fee for use of a stadium and the lease for the University Suites, a privatized housing facility. In FY 2006, the University will have an additional real estate lease for the lease of the Arbor View apartments, another privatized housing facility. The future lease payments for this agreement are reflected in the schedule below.

The total operating lease expenditures in 2005 were \$308,471.66. The total real estate lease expenditures in 2005 were \$1,005,894.28.

Future commitments for capital leases and for operating and real estate leases having remaining terms in excess of one year as of June 30, 2005 were as follows:

Year Ending June 30:	Year	Real Property	
		Capital Leases	Operating Leases
2006	1	\$321,782.69	\$2,028,375.91
2007	2	314,225.28	2,671,376.87
2008	3	314,225.28	2,718,747.46
2009	4	314,225.28	2,730,227.77
2010	5	76,543.26	2,760,338.13
2011 through 2015	6-10		13,843,870.56
2016 through 2020	11-15		14,600,993.28
2021 through 2025	16-20		15,445,293.72
2026 through 2030	21-25		14,829,996.44
2031 through 2035	26-30		
2036 through 2040	31-35		
2041 through 2045	36-40		
Total minimum lease payments		1,341,001.79	<u>\$71,629,220.14</u>
Less: Interest		127,250.16	
Less: Executory costs (if paid)		0.00	
Principal Outstanding		<u>\$1,213,751.63</u>	

Note 11. Retirement Plans

Teachers Retirement System of Georgia

Plan Description

University of West Georgia participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly. TRS provides retirement allowances and other benefits for plan participants. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or from the Georgia Department of Audits and Accounts.

Funding Policy

Employees of University of West Georgia who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. University of West Georgia makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2005, the employer contribution rate was 9.24% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2005	100%	\$2,177,219.12
2004	100%	\$2,202,322.42
2003	100%	\$2,191,615.93

Employees' Retirement System of Georgia

Plan Description

University of West Georgia participates in the Employees' Retirement System of Georgia (ERS), a single-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia.

The benefit structure of ERS is defined by State statute and was significantly modified on July 1, 1982. Unless elected otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. All other members are "new plan" members subject to the modified plan provisions.

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 65. If 10 years of service is completed and age 60 is reached, the member may retire with a reduced benefit. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. 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.

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year, which may be obtained through ERS.

Funding Policy

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The University's payroll for the year ended June 30, 2005, for employees covered by ERS was \$56,792.00. The University's total payroll for all employees was \$47,160,585.09.

Under the old plan, member contributions consist of 7.16% of annual compensation. Of these member contributions, the employee pays the first 1.5% and the University pays the remainder on behalf of the employee. Under the new plan, member contributions consist solely of 1.5% of annual compensation paid by employee. The University also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation. For the year ended June 30, 2005, the ERS employer contribution rate for the University amount to 6.18% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Total contributions to the plan made during fiscal year 2005 amounted to \$7,430.33 of which \$6,516.45 was made by the University and \$920.88 was made by employees. These contributions met the requirements of the plan.

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2005, financial report, which may be obtained through ERS.

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 is administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or a principal administrator, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

University of West Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State Statute and as advised by their independent actuary. For fiscal year 2005, the employer contribution was 9.65% of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

University of West Georgia and the covered employees made the required contributions of \$1,769,294.27 and \$915,248.92 (5%), respectively.

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

Georgia Defined Contribution Plan

Plan Description

University of West Georgia participates in the Georgia Defined Contribution Plan (GDGP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$ 3,500.00 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount

credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

Contributions

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2005 amounted to \$80,864.52 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

Note 12. Risk Management

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options – a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. University of West Georgia and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000.00 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, two fully insured HMO healthcare plan options are also offered to System employees.

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

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 13. Contingencies

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

Litigation, claims and assessments filed against University of West Georgia (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.

Note 14. 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.

As of June 30, 2005, there were 383 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2005, University of West Georgia recognized as incurred \$1,414,026.09 of expenditures, which was net of \$459,833.20 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2005 are shown below:

Natural Classification	Functional Classification FY2005					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$22,714,348.29	\$184,024.62	\$0.00	\$236,653.70	\$25,396.00	\$12,020.19
Staff	3,938,043.71	302,914.58	122,797.06	5,285,889.96	2,945,437.74	4,178,750.94
Benefits	6,289,877.36	66,788.49	28,650.44	1,438,979.30	711,629.09	1,769,171.23
Personal Services						
Travel	474,703.92	38,900.00	3,193.02	116,835.81	72,750.46	54,991.92
Scholarships and Fellowships	21,521.76	3,764.90			3,377.00	343,243.60
Utilities	88,818.91	432.78	796.16	31,676.37	18,676.43	33,779.81
Supplies and Others Services	1,644,497.39	320,353.55	10,810.07	2,836,831.45	1,263,911.59	1,689,882.09
Depreciation	27,232.22	55,494.91		850,195.58	4,578.89	64,274.37
Total Expenses	\$35,199,043.56	\$972,673.83	\$166,246.75	\$10,797,062.17	\$5,045,757.20	\$8,146,114.15

Natural Classification	Functional Classification FY2005				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	Total Expenses
Faculty	\$0.00	\$0.00	\$10,135.00	\$0.00	\$23,182,577.80
Staff	3,859,582.29		3,101,513.90		23,734,930.18
Benefits	1,217,776.58		737,956.70		12,260,829.19
Personal Services	(2,081,717.14)		2,081,717.14		0.00
Travel	12,504.63		71,704.50		845,584.26
Scholarships and Fellowships		1,164,026.94	782,178.89		2,318,113.09
Utilities	2,539,334.24		257,625.78		2,971,140.48
Supplies and Others Services	1,874,414.46		9,333,161.01		18,973,861.61
Depreciation	114,539.00		984,204.36	2,618,026.75	4,718,546.08
Total Expenses	\$7,536,434.06	\$1,164,026.94	\$17,360,197.28	\$2,618,026.75	\$89,005,582.69

Note 16. Component Units

University of West Georgia Foundation

University of West Georgia Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of University of West Georgia (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of approximately forty members and is made up of alumni and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 foundation's fiscal year is January 1 through December 31.

In accordance with GASB 14, there was a receivable due from the University to the Foundation in the amount of \$2,144. Due to the different fiscal years this transaction was not listed as a payable by the University.

During the year ended December 31, 2004, the Foundation distributed \$1,077,504.00 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of Development and Alumni Services at 1901 Maple Street Carrollton Georgia 30118.

Investments for Component Units:

University of West Georgia Foundation, Inc. holds endowment investments in the amount of \$12,664,768 million. The corpus of the endowment is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. University of West Georgia Foundation, in conjunction with the donors, has established a spending plan whereby up to 5% of the adjusted corpus balance at year end may be used for academic scholarships. The remaining 95% of the earnings are set aside as a reserve.

University of West Georgia Foundation, Inc. also holds investments in real property valued at \$17,238,148.

Changes in long-term liabilities for the calendar year ended December 31, 2004 are shown below:

	Beginning	Additions	Reductions	Ending	Amounts due within
	Balance			Balance	
	January 1, 2004			December 31, 2004	One Year
Mortgage Payable (Brookwood)	\$0.00	\$5,700,000.00	\$0.00	\$5,700,000.00	\$0.00
Series 2003 Bonds	13,205,000.00			13,205,000.00	405,791.00
Bond Premium		363,667.00		363,667.00	0.00
Series 2004A Bonds		19,175,000.00		19,175,000.00	779,631.00
Series 2004B Bonds		180,000.00		180,000.00	5,610.00
Total Long Term Debt	\$13,205,000.00	\$25,418,667.00	\$0.00	\$38,623,667.00	\$1,191,032.00

Annual debt service requirements to maturity for Student Housing revenue bonds payable are as follows:

Series 2003 Bonds Payable			
	Principal	Interest	Total
Year Ending			
2005	\$0	\$405,791	\$405,791
2006	375,000	401,018	776,018
2007	385,000	389,366	774,366
2008	400,000	377,337	777,337
2009 through 2013	2,185,000	1,692,759	3,877,759
2014 through 2018	2,565,000	1,329,763	3,894,763
2019 through 2023	3,005,000	903,774	3,908,774
2024 through 2028	3,520,000	404,923	3,924,923
2029	770,000	13,860	783,860
	\$13,205,000	\$5,918,591	\$19,123,591

Series 2004 A & B Bonds Payable			
	Principal	Interest	Total
Year Ending			
2005	\$0	\$785,241	\$785,241
2006		856,626	856,626
2007	455,000	856,626	1,311,626
2008	485,000	842,256	1,327,256
2009	535,000	827,706	1,362,706
2010 through 2014	3,180,000	3,822,730	7,002,730
2015 through 2019	3,820,000	3,178,806	6,998,806
2020 through 2024	4,790,000	2,208,375	6,998,375
2025 through 2029	6,090,000	900,883	6,990,883
	\$19,355,000	\$14,279,249	\$33,634,249

UWG Real Estate Foundation:

Resident Instruction Bonds have been issued by the UWG Real Estate Foundation, Inc. to finance the Student Center facilities at the University of West Georgia. The bonds mature serially and are serviced by a pledge of a student fee and appropriations formerly used for square footage support. The interest rate can fluctuate between 3 and 5% over the term of the bonds.

Changes in long-term liabilities for the fiscal year ended June 30, 2005 are shown below:

	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Amounts due within One Year
Revenue Bonds Payable					
Real Estate Foundation					
Premium on Issue	\$0.00	\$222,421.00	\$4,569.00	\$217,852.00	\$7,476.00
Student Center	0.00	30,720,000.00	0.00	30,720,000.00	0.00
Total Long Term Debt	\$0.00	\$30,942,421.00	\$4,569.00	\$30,937,852.00	\$7,476.00

Annual debt service requirements to maturity for Student Center (Real Estate Foundation) revenue bonds payable are as follows:

Year Ending June 30:	Bonds Payable		
	Principal	Interest	Total
2006	\$0.00	\$1,665,440.00	\$1,665,440.00
2007	0.00	1,427,520.00	1,427,520.00
2008	360,000.00	1,422,120.00	1,782,120.00
2009	390,000.00	1,410,383.00	1,800,383.00
2010	425,000.00	1,395,545.00	1,820,545.00
2011 through 2015	2,735,000.00	6,703,887.00	9,438,887.00
2016 through 2020	3,965,000.00	6,067,480.00	10,032,480.00
2021 through 2025	5,770,000.00	4,970,326.00	10,740,326.00
2026 through 2030	8,045,000.00	3,169,007.00	11,214,007.00
2031 through 2035	9,030,000.00	1,082,283.00	10,112,283.00
	\$30,720,000.00	\$29,313,991.00	\$60,033,991.00

Annual debt service requirements to maturity for Student Center (Real Estate Foundation) revenue bonds premium on certificates payable are as follows:

Premium on Certificates Payable

Year Ending June 30:	Premium	Total
2006	\$7,476.00	\$7,476.00
2007	7,476.00	7,476.00
2008	7,476.00	7,476.00
2009	7,476.00	7,476.00
2010 through 2014	37,380.00	37,380.00
2015 through 2019	37,380.00	37,380.00
2020 through 2024	37,380.00	37,380.00
2025 through 2029	37,380.00	37,380.00
2030 through 2035	38,428.00	38,428.00
	\$217,852.00	\$217,852.00