

UNIVERSITY OF WEST GEORGIA

Unaudited Financial Report

For the Year Ended
June 30, 2006

University of West Georgia
Carrollton, Georgia

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UNIVERSITY OF WEST GEORGIA
ANNUAL FINANCIAL REPORT
FY 2006

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UNIVERSITY OF WEST GEORGIA

Management's Discussion and Analysis

Introduction

University of West Georgia is one of the 35 institutions of higher education of the University System of Georgia. 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 (UWG) offers a range of disciplinary, interdisciplinary and professional programs at the baccalaureate level. There are 114 programs of study, including 60 at the Bachelors level, 52 at the Masters and Specialists level, and two 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 plateaued in fall 2005, our enrollment projections forecast that our solid 3% average historical increase will continue, toward our eventual student body of 15-16,000 students.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2006	402	10,154	8,907
FY2005	311	10,216	8,898
FY2004	302	10,255	8,865

Overview of the Financial Statements and Financial Analysis

University of West Georgia is proud to present its financial statements for fiscal year 2006. 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 2005 and FY 2006.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets:		
Current Assets	\$17,809,520.90	\$16,284,666.22
Capital Assets, net	65,382,176.66	66,411,670.82
Other Assets	1,643,786.79	1,764,942.25
Total Assets	<u>84,835,484.35</u>	<u>84,461,279.29</u>
Liabilities:		
Current Liabilities	10,600,338.19	9,060,671.60
Noncurrent Liabilities	3,129,184.35	3,414,441.96
Total Liabilities	<u>13,729,522.54</u>	<u>12,475,113.56</u>
Net Assets:		
Invested in Capital Assets, net of debt	64,247,388.65	65,197,919.79
Restricted - nonexpendable		
Restricted - expendable	2,152,331.71	2,094,935.23
Capital Projects		
Unrestricted	4,706,241.45	4,693,310.71
Total Net Assets	<u><u>\$71,105,961.81</u></u>	<u><u>\$71,986,165.73</u></u>

The total assets of the institution increased by \$374,205.06. The major change is reflected in the cash account, which is being held for the current liabilities due in the following period.

Within the long term assets the major change is in the capital account. The capital assets increased by \$3.7 million dollars, offset by the booking of depreciation of \$4.7 million, for an

overall decrease from fiscal year 2005 of (\$1,029,494.16). The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction, research and public service missions of the institution.

The total liabilities for the year increased by \$1,254,408.98, reflecting increased accounts payables and deposits. The payables reflect year end activity, which will be paid in July. The combination of the increase in total assets of \$374,205.06 and the increase in total liabilities of \$1,254,408.98 yields a decrease in net assets of (\$880,203.92).

Finally, within the net asset account, the decrease in capital assets of, (\$950,531.14) is due to the booking of depreciation over and above the investment in capital. Compared to fiscal year 2005, capital spending was less primarily due to the booking of some major capital projects completed through The Georgia State Finance and Investment Commission, (GSFIC). The amounts were approximately \$7 million in 2005 and \$1.8 million in 2006.

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, 2006</u>	<u>June 30, 2005</u>
Operating Revenues	\$54,392,014.69	\$48,097,307.70
Operating Expenses	<u>101,334,990.21</u>	<u>89,005,582.69</u>
Operating Loss	(46,942,975.52)	(40,908,274.99)
per revised Scholarship Allowance calculation		
Nonoperating Revenues and Expenses	<u>44,254,419.93</u>	<u>40,680,869.60</u>
Income (Loss) Before other revenues, expenses, gains or losses	(2,688,555.59)	(227,405.39)
Other revenues, expenses, gains or losses	<u>1,808,351.67</u>	<u>7,508,391.84</u>
Increase in Net Assets	(880,203.92)	7,280,986.45
Net Assets at beginning of year, as originally reported	71,986,165.73	64,705,179.28
Prior Year Adjustments	0.00	0.00
Net Assets at beginning of year, restated	<u>71,986,165.73</u>	<u>64,705,179.28</u>
Net Assets at End of Year	<u><u>\$71,105,961.81</u></u>	<u><u>\$71,986,165.73</u></u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a decrease 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, 2006 and June 30, 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenue		
Tuition and Fees	\$24,241,850.46	\$19,727,822.49
Federal Appropriations		
Grants and Contracts	9,129,479.92	9,061,222.57
Sales and Services	348,533.79	404,653.64
Auxiliary	20,062,348.63	18,460,016.84
Other	<u>609,801.89</u>	<u>443,592.16</u>
Total Operating Revenue	<u>54,392,014.69</u>	<u>48,097,307.70</u>
Nonoperating Revenue		
State Appropriations	42,542,758.71	39,338,796.31
Grants and Contracts		
Gifts	741,292.97	905,290.01
Investment Income	800,068.58	433,435.02
Other	<u>222,249.82</u>	<u>40,449.01</u>
Total Nonoperating Revenue	<u>44,306,370.08</u>	<u>40,717,970.35</u>
Capital Gifts and Grants		
State	1,808,351.67	6,916,163.29
Other Capital Gifts and Grants		<u>592,228.55</u>
Total Capital Gifts and Grants	<u>1,808,351.67</u>	<u>7,508,391.84</u>
Total Revenues	<u>\$100,506,736.44</u>	<u>\$96,323,669.89</u>

Operating Revenue:

For fiscal year 2006, overall operating revenues were \$54,392,000, an increase of \$6,295,000. The increase was attributed to an increase of \$4,514,000 in tuition and fees, \$1,602,000 in auxiliary service revenue and \$179,000 in grants and other operating revenue.

Within the tuition account, the \$4,514,000 increase is attributed to a base tuition increase of 5%, generating \$1,264,000 and the addition of a facility fee to support the construction of the new Campus Center (student recreation center). That fee generated \$1,558,000, and the building will be completed in August, 2006. Also, an exclusion of institutional waivers resulted in a recalculation of the scholarship allowance credit, causing an increase of \$1,652,000.

The Auxiliary revenue increase of \$1,602,000 was generated by an increase in residence hall revenue of \$1,085,000, parking and transportation fees of \$ 241,000, bookstore revenue of \$143,000. All other services generated another \$133,000.

The remaining categories of Grants and Contracts, and Sales and Service revenue were essentially consistent with the prior year.

Non Operating Revenues:

Non operating revenues totaled \$44,306,370, an increase of \$3,588,000. State appropriation makes up the majority of the non-operating revenue category, and that increased by \$3,204,000. Of the remaining \$384,000 there was an increase of \$366,000 in interest income. The remaining \$18,000 was attributed to an increase in other income of \$182,000 and a decrease of \$164,000 in gifts.

Expenses (By Functional Classification) For the Years Ended June 30, 2006 and June 30, 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Expenses		
Instruction	\$36,819,682.15	\$35,199,043.56
Research	877,894.24	972,673.83
Public Service	152,420.87	166,246.75
Academic Support	11,998,157.29	10,797,062.17
Student Services	7,182,237.88	5,045,757.20
Institutional Support	10,435,636.75	8,146,114.15
Plant Operations and Maintenance	8,915,444.03	7,536,434.06
Scholarships and Fellowships	2,815,894.82	1,164,026.94
Auxiliary Enterprises	19,904,224.81	17,360,197.28
Unallocated Expenses	2,233,397.37	2,618,026.75
Patient Care (MCG only)		
Total Operating Expenses	<u>101,334,990.21</u>	<u>89,005,582.69</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>51,950.15</u>	<u>37,100.75</u>
Total Expenses	<u><u>\$101,386,940.36</u></u>	<u><u>\$89,042,683.44</u></u>

Expense Analysis:

The functional classification on expenditures highlights the expense areas needed to run the university by function; Instruction, and the various support operations. The various categories are heavily weighted in personal services, not untypical for a university of our type. At University of West Georgia, 80% of our educational and general budget is personal services. Total expenditures for the year are at \$101,386,940 or \$12,344,000 higher than 2005, and represent an overall cost per student FTE, of \$5,025 per student. A large part of the increase is from a 2% increase on the base wages that became effective January 1st. Within the various categories the following comments apply:

Instruction: Expenses are \$1,620,000 higher than 2005. Personal benefits, including a 2% annual increase, which became effective January 1, 2006, represent 80% of the total.

Research: Down \$94,000 from the prior year, reflecting lower billings for grant activity.

Public Service: Down \$14,000 from the prior year.

Academic Support: This category includes the primary functional support categories for the Instructional function, including Library services. Expenses are \$1,200,000 higher than 2005. Of this amount, 37%, or \$448,000 is personal services, \$400,000 was allocated for supplies (primarily library materials), \$60,000 for staff development, \$246,000 for depreciation on instructional equipment and \$46,000 in other expenses.

Student Services: This category includes the functional support for our customers, the students themselves. Expenses are higher by \$2,136,000. The personal services increased by \$191,000, the costs for licensing the Campus Center, during construction was \$1,742,000, supplies and other \$165,000, staff development of \$24,000, utilities, scholarships and other, \$14,000.

Institutional Support: This category includes the other administrative support functions, necessary to manage the academic and student programs. This includes the President, Business Operations (Bursar, Accounting, and Payroll), Public Relations, Marketing and Public Safety, and General Institutional Expense, which includes expenses like staff benefits that are not identified by to a particular group. Retiree benefits would be an example of this.

Expenses are higher by \$2,290,000 for the year. In 2005, we received a credit, against employee benefits for \$914,000, which is artificially inflating the 2006 amount. In other words, normal expense for 2005 would have been \$9,060,114, which would make the increase this year \$1,376,000.

Analyzing the increased amount of \$1,376,000; Personal services accounts for \$774,000 of the total, benefits. Within personal services, compensated absences are up \$121,000, to \$2,400,000. This represents the amount of accrued leave the University carries on its books. Supplies and other is up by \$602,000. Within this category are operating supplies, marketing materials, advertising, staff development and the Goal Quest student recruiting, enrollment management program, which is critical to our Retention, Progression & Graduation (RPG) program.

Plant Operation and Maintenance: This category supports the physical facilities necessary to run our academic programs. The expenses are up by \$1,379,000, accounted for by salary increases, supplies utilities, miscellaneous expense and depreciation.

Scholarships and Fellowships: Due to an exclusion of institutional waivers, a recalculation of the scholarship allowance credit caused an increase of \$1,652,000.

Auxiliary Enterprises: These expenses are the offset to the revenue included above. Expenses support the cost of increasing the revenues, and in 2006 the operational expenses were \$2,544,000 or \$942,000 more than revenue. The apparent loss is affected by prior year adjustments of \$1,161,000. The adjustments were \$706,000 prior year expense, inflating residence hall expenses for 2006, and a \$455,000 expense affecting the Food Service for amortization of capital improvements. However, an increase in non-operating revenues and credit from non-mandatory transfers resulted in a positive change in Auxiliary net assets of \$1,100,000.

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, 2006 and 2005, Condensed

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash Provided (used) By:		
Operating Activities	(\$40,679,625.85)	(\$35,130,549.85)
Non-capital Financing Activities	43,644,126.94	39,796,529.24
Capital and Related Financing Activities	(2,656,320.03)	(5,033,908.32)
Investing Activities	800,068.58	449,635.02
Net Change in Cash	1,108,249.64	81,706.09
Cash, Beginning of Year	13,353,012.10	13,271,306.01
Cash, End of Year	<u>\$14,461,261.74</u>	<u>\$13,353,012.10</u>

Capital Assets

During the 2006 fiscal year the University booked \$4,326,946 in capital additions. The breakdown included \$739,678 in library collections, \$150,000 in facilities improvements, \$240,498 in building improvements (Boykin Hall restrooms), \$1,955,318 for new mechanical systems in the Richards College of Business and Tyus Hall and \$1,241,452 in equipment additions.

We also had \$2,066,101 booked as Construction Work in Progress for projects, mostly funded through GSFIC.

During 2007 we expect to start construction of the \$32 million Health, Wellness and Lifelong Learning (HWELL) Building and the \$5 million addition to the Callaway Building. These projects will be funded by GSFIC and are critical to future programming in the Arts & Sciences, and Health, Physical Education areas.

Projected funding by GSFIC in 2007 for MRR projects will be approximately the same.

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

Long Term Debt and Liabilities

University of West Georgia had Long-Term Debt and Liabilities of \$3,344,506.54 of which \$1,510,322.19 was reflected as current liability at June 30, 2006.

For additional information concerning Long-Term Debt and Liabilities, 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 FY2006. The University of West Georgia Foundation, Inc. had endowment investments of \$13.6 million as of December 31, 2005, and long-term debt of \$39.3 million. The UWG Real Estate Foundation, Inc. had long-term debt of \$ 30.9 million in the form of one bond issue. Construction of the new Campus Center is near completion. The project is set to open in fiscal 2007. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

Economic Outlook

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 which have a global effect on virtually all types of business operations.

We have experienced flat enrollment for the last three years, but we still feel that our solid 3% average historical increase will continue, toward our eventual student body of 15-16,000 students. The forecasts are encouraging, as we expect improved freshman classes in the fall of 2007.

What we are not sure of is the impact of the University System's guaranteed tuition program, which will go into effect in the fall of 2007. The four year guarantee will make it necessary for the students to take more hours, to complete in the twelve semester period. On the University's side, we will have to ensure the courses the students need are available. Another factor is our retention, persistence and graduation (RPG initiative) which is designed to improve overall retention and graduation rates. Our challenge is to balance our programming to maximize efficiency of course offerings with the student needs within the prescribed time frame, because we will be placing a cap on student revenue while absorbing the cost to educate those same students. A specific strategy we will employ is a review of institutional and Regent policies that affect summer programs.

We continue to challenge our ability to do more with less as we fight increasing costs, and uncertain economic conditions, such as the major hurricanes of the last two years. Although we

did not get affected with major damage, we did feel the indirect impact of the storms, and the resulting aftermath of chaotic conditions. The university was a storm shelter during the month of September for Katrina victims, and of course we are all trying to find the resources necessary, within limited budgets, to offset higher energy costs. We are learning to be more resourceful with programs to reduce our use of natural gas, and electricity, as well as gasoline for travel. In fact we have created energy awareness by putting together an energy wide committee to reduce energy usage, and cut our costs.

Dr. Thomas J. Hynes
Interim President
University of West Georgia

William Gauthier
Vice-President Business and Finance
University of West Georgia

Statement of Net Assets

**University of West Georgia
STATEMENT OF NET ASSETS
June 30, 2006**

	Component Units		
	University of West Georgia	University of West Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$14,461,261.74	\$3,147,617.00	\$7,267,306.00
Short-term Investments	640,231.80	4,036,180.00	
Accounts Receivable, net (note 3)			
Receivables - Federal Financial Assistance	128,473.55		
Receivables - Other	1,305,741.56	104,105.00	162,889.58
Due From Component Units	26,513.36		
Pledges Receivable		69,887.00	
Due From Primary Government			43,127.42
Inventories (note 4)	770,224.88		
Prepaid items	477,074.01		7,961.00
Other Assets			
Total Current Assets	17,809,520.90	7,357,789.00	7,481,284.00
Noncurrent Assets			
Investments (including Real Estate)		13,605,710.00	
Notes Receivable, net	1,643,786.79		
Pledges Receivable		57,750.00	
Capital Assets, net (note 6)	65,382,176.66	33,754,802.00	27,066,600.00
Other Assets		978,142.00	786,799.00
Total Noncurrent Assets	67,025,963.45	48,396,404.00	27,853,399.00
TOTAL ASSETS	84,835,484.35	55,754,193.00	35,334,683.00
LIABILITIES			
Current Liabilities			
Accounts Payable	1,397,693.20	554,196.00	2,704,002.64
Salaries Payable	260,303.25		
Contracts Payable	185,312.28		
Deposits	715,500.00		
Deferred Revenue (note 7)	5,076,413.87		
Other Liabilities	314,868.82		
Deposits Held for Other Organizations	1,096,797.16		
Due to Primary Government			26,513.36
Lease Purchase Obligations (current portion)	275,663.68		
Compensated Absences (current portion)	1,234,658.51		
Revenue/Mortgage Bonds Payable (current)		360,000.00	7,476.00
Due to Component Units	43,127.42		
Total Current Liabilities	10,600,338.19	914,196.00	2,737,992.00
Noncurrent Liabilities			
Lease Purchase Obligations (noncurrent)	668,327.56		
Deferred Revenue (noncurrent)	1,295,000.00		
Compensated Absences (noncurrent)	1,165,856.79		
Revenue/Mortgage Bonds Payable (noncurrent)		33,203,924.00	30,922,900.00
Notes and Loans Payable (noncurrent)		5,700,000.00	
Total Noncurrent Liabilities	3,129,184.35	38,903,924.00	30,922,900.00
TOTAL LIABILITIES	13,729,522.54	39,818,120.00	33,660,892.00
NET ASSETS			
Invested in Capital Assets, net of related debt	64,247,388.65	(4,530,980.00)	(52,948.00)
Restricted for			
Nonexpendable		9,195,532.00	
Expendable	2,152,331.71	6,302,488.00	2,513,538.00
Capital Projects			3,024,029.00
Unrestricted	4,706,241.45	4,969,033.00	(3,810,828.00)
TOTAL NET ASSETS	\$71,105,961.81	\$15,936,073.00	\$1,673,791.00

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, 2006

	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)	\$28,088,526.70	\$0.00	\$0.00
Less: Scholarship Allowances	3,846,676.24		
Gifts and Contributions		2,115,476.00	
Endowment Income (per spending plan)		655,600.00	
Grants and Contracts			
Federal	7,245,669.42		
State	946,049.89		
Other	937,760.61		
Sales and Services	348,533.79	321,248.00	
Rents and Royalties	11,864.00	1,765,977.00	1,742,000.00
Auxiliary Enterprises			
Residence Halls	7,764,040.77		
Bookstore	3,492,850.58		
Food Services	3,700,975.20		
Parking/Transportation	882,316.96		
Health Services	1,395,469.48		
Intercollegiate Athletics	2,403,510.40		
Other Organizations	423,185.24		
Other Operating Revenues	597,937.89		
Total Operating Revenues	<u>54,392,014.69</u>	<u>4,858,301.00</u>	<u>1,742,000.00</u>
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	23,855,068.75		
Staff	25,190,482.17	434,445.00	
Employee Benefits	14,090,108.65	102,147.00	
Other Personal Services	2,487.21		
Travel	985,894.62	10,495.00	
Scholarships and Fellowships	4,017,162.43		
Utilities	3,409,936.70		
Supplies and Other Services	24,645,473.92	578,035.00	43,696.00
Depreciation	5,138,375.76	609,809.00	
Other Operating Expense		170,756.00	
Payments to or on behalf of University of West Georgia		1,440,543.00	
Total Operating Expenses	<u>101,334,990.21</u>	<u>3,346,230.00</u>	<u>43,696.00</u>
Operating Income (loss)	<u>(46,942,975.52)</u>	<u>1,512,071.00</u>	<u>1,698,304.00</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, 2006**

	Component Units		
	University of West Georgia	University of West Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	42,542,758.71		
Gifts	741,292.97		
Investment Income (endowments, auxiliary and other)	800,068.58	562,867.00	507,841.00
Interest Expense (capital assets)	(51,950.15)	(1,283,791.00)	(500,365.00)
Other Nonoperating Revenues	222,249.82		
Net Nonoperating Revenues	<u>44,254,419.93</u>	<u>(720,924.00)</u>	<u>7,476.00</u>
Income before other revenues, expenses, gains, or loss	(2,688,555.59)	791,147.00	1,705,780.00
Capital Grants and Gifts			
State	1,808,351.67		
Loss on Bond Retirement		(736,715.00)	
Additions to permanent endowments		610,279.00	
Total Other Revenues	<u>1,808,351.67</u>	<u>(126,436.00)</u>	<u>0.00</u>
Increase in Net Assets	(880,203.92)	664,711.00	1,705,780.00
NET ASSETS			
Net Assets-beginning of year, as originally reported	71,986,165.73	15,271,362.00	(581,494.00)
Prior Year Adjustments	0.00	0.00	549,505.00
Net Assets-beginning of year, restated	<u>71,986,165.73</u>	<u>15,271,362.00</u>	<u>(31,989.00)</u>
Net Assets-End of Year	<u>\$71,105,961.81</u>	<u>\$15,936,073.00</u>	<u>\$1,673,791.00</u>

Statement of Cash Flows

University of West Georgia STATEMENT OF CASH FLOWS For the Year Ended June 30, 2006

	<u>June 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$24,230,096.24
Federal Appropriations	
Grants and Contracts (Exchange)	9,293,545.80
Sales and Services of Educational Departments	163,508.52
Payments to Suppliers	(42,740,137.44)
Payments to Employees	(48,777,319.82)
Payments for Scholarships and Fellowships	(4,017,162.43)
Loans Issued to Students and Employees	(451,604.73)
Collection of Loans to Students and Employees	572,760.19
Auxiliary Enterprise Charges:	
Residence Halls	8,228,698.65
Bookstore	3,473,169.78
Food Services	3,414,215.59
Parking/Transportation	893,890.91
Health Services	1,382,251.55
Intercollegiate Athletics	2,434,594.08
Other Organizations	484,652.82
Other Receipts (payments)	735,214.44
Net Cash Provided (used) by Operating Activities	<u>(40,679,625.85)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	42,542,758.71
Agency Funds Transactions	127,777.68
Gifts and Grants Received for Other Than Capital Purposes	973,590.55
Net Cash Flows Provided by Non-capital Financing Activities	<u>43,644,126.94</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(2,334,609.49)
Principal Paid on Capital Debt and Leases	(269,760.39)
Interest Paid on Capital Debt and Leases	(51,950.15)
Net Cash used by Capital and Related Financing Activities	<u>(2,656,320.03)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	
Interest on Investments	800,068.58
Net Cash Provided (used) by Investing Activities	<u>800,068.58</u>
Net Increase/Decrease in Cash	1,108,249.64
Cash and Cash Equivalents - Beginning of year	13,353,012.10
Cash and Cash Equivalents - End of Year	<u><u>\$14,461,261.74</u></u>

Statement of Cash Flows, Continued

**University of West Georgia
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006**

June 30, 2006

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

Operating Income (loss)	(\$46,942,975.52)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	5,138,375.76
Change in Assets and Liabilities:	
Receivables, net	(268,355.78)
Inventories	29,554.94
Prepaid Items	(153,772.40)
Notes Receivable, Net	121,155.46
Accounts Payable	774,522.89
Deferred Revenue	357,023.62
Other Liabilities	23,176.18
Compensated Absences	241,669.00
	<hr/>
Net Cash Provided (used) by Operating Activities	(\$40,679,625.85)

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

Gift of capital assets reducing proceeds of capital grants and gifts	<u>(\$1,808,351.67)</u>
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UNIVERSITY OF WEST GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The 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-five (35) 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 2005. 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 FY2006, University of West Georgia is reporting the activity for the University of West Georgia Foundation, Inc. and the UWG Real Estate Foundation, Inc.

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 predominant 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, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool 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 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, 2006, GSFIC did not transfer any capital additions 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 \$2,158,846.30 as of 7-1-2005. For FY2006, \$1,701,217.59 was earned in compensated absences and employees were paid \$1,459,548.59, for a net increase of \$241,669.00. The ending balance as of 6-30-2006 in accrued liability for compensated absences was \$2,400,515.30.

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, 2006</u>
Federal Loans	\$1,889,383.13
Institutional Loans	<u>262,948.58</u>
Total Restricted Expendable	<u>\$2,152,331.71</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, 2006</u>
R & R Reserve	\$3,000,688.85
Reserve for Encumbrances	3,032,613.85
Reserve for Inventory	124,493.93
Other Unrestricted	<u>(1,451,555.18)</u>
Total Unrestricted Net Assets	<u>\$4,706,241.45</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. Deposits and Investments

A. Deposits

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

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

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

At June 30, 2006, the carrying value of deposits was \$2,046,577.61 and the bank balance was \$3,592,523.74. Of the university's deposits, \$3,292,423.74 were uninsured. Of these uninsured deposits, \$540,231.80 were collateralized with securities held by the financial institution's trust department or agent in the university's name, and \$2,752,191.94 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, 2006, the carrying value of the University's investments was \$13,033,765.93, 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:

Investment Pools	
Board of Regents	
Short-Term Fund	\$1,927,285.56
Sub Total	<u>1,927,285.56</u>
Office of Treasury and Fiscal Services	
Georgia Fund 1	11,106,480.37
Sub Total	<u>11,106,480.37</u>
Total Investment Pools	<u>\$13,033,765.93</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 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. Participation in the Georgia Fund 1 Investment Pool is voluntary. 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 28 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 does not have a formal policy for managing interest rate risk.

The Weighted Average Maturity of the Short Term Fund is 1.3 years. Of the University's total investment of \$1,927,285.56 in the Short Term Fund, \$1,894,595 is invested in debt securities.

As previously stated, the Weighted Average Maturity of the Georgia Fund 1 investment pool is 28 days.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the university will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2006, \$1,927,285.56 of the university's applicable investments were uninsured and held by the investment's counterparty's trust department or agent, but not in the university's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk.

The Board of Regents Short Term Fund is not rated. The Georgia Fund 1 investment pool is rated AAAM by Standard and Poor's.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2006.

	<u>June 30, 2006</u>
Student Tuition and Fees	\$561,651.79
Auxiliary Enterprises and Other Operating Activities	464,137.45
Federal Financial Assistance	128,473.55
Georgia State Financing and Investment Commission	30,827.31
Due from Component Units	26,513.36
Other	554,148.25
	<u>1,765,751.71</u>
Less Allowance for Doubtful Accounts	<u>305,023.24</u>
Net Accounts Receivable	<u><u>\$1,460,728.47</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2006.

	<u>June 30, 2006</u>
Bookstore	\$632,110.15
Physical Plant	<u>138,114.73</u>
Total	<u><u>\$770,224.88</u></u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2006. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has deemed that no allowance is needed for uncollectible loans as of June 30, 2006.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2006:

	Beginning Balances 7/1/2005	Additions	Reductions	Ending Balance 6/30/2006
Capital Assets, Not Being Depreciated:				
Land	\$554,184.25	\$0.00	\$0.00	\$554,184.25
Capitalized Collections	0.00			0.00
Construction Work-in-Progress	3,232,962.01	\$2,066,100.98	\$2,114,998.10	3,184,064.89
Total Capital Assets Not Being Depreciated	3,787,146.26	2,066,100.98	2,114,998.10	3,738,249.14
Capital Assets, Being Depreciated:				
Infrastructure	3,144,580.30			3,144,580.30
Building and Building Improvements	87,687,166.06	240,498.00		87,927,664.06
Facilities and Other Improvements	1,832,926.69	150,000.00		1,982,926.69
Equipment	12,849,628.81	3,196,769.54	303,102.51	15,743,295.84
Capital Leases	1,509,802.67		106,915.94	1,402,886.73
Library Collections	13,558,994.87	739,677.96	199,836.65	14,098,836.18
Capitalized Collections	13,516.00			13,516.00
Total Assets Being Depreciated	120,596,615.40	4,326,945.50	609,855.10	124,313,705.80
Less: Accumulated Depreciation				
Infrastructure	84,903.67	113,204.89		198,108.56
Buildings	36,894,339.05	2,751,396.86		39,645,735.91
Facilities and Other improvements	703,359.71	92,516.88		795,876.59
Equipment	9,938,818.98	1,309,375.06	240,851.67	11,007,342.37
Capital Leases	234,725.79	186,134.92		420,860.71
Library Collections	10,108,247.44	685,409.24	199,836.65	10,593,820.03
Capitalized Collections	7,696.20	337.91		8,034.11
Total Accumulated Depreciation	57,972,090.84	5,138,375.76	440,688.32	62,669,778.28
Total Capital Assets, Being Depreciated, Net	62,624,524.56	(811,430.26)	169,166.78	61,643,927.52
Capital Assets, net	\$66,411,670.82	\$1,254,670.72	\$2,284,164.88	\$65,382,176.66

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2006.

	<u>June 30, 2006</u>
Prepaid Tuition and Fees	\$3,063,337.49
Other Deferred Revenue	<u>2,013,076.38</u>
Totals	<u><u>\$5,076,413.87</u></u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2006</u>	<u>Current Portion</u>
Leases					
Lease Obligations	\$1,213,751.63	\$0.00	\$269,760.39	\$943,991.24	\$275,663.68
Other Liabilities					
Compensated Absences	2,158,846.30	1,701,217.59	1,459,548.59	2,400,515.30	1,234,658.51
Total	<u>2,158,846.30</u>	<u>1,701,217.59</u>	<u>1,459,548.59</u>	<u>2,400,515.30</u>	<u>1,234,658.51</u>
Total Long Term Obligations	<u><u>\$3,372,597.93</u></u>	<u><u>\$1,701,217.59</u></u>	<u><u>\$1,729,308.98</u></u>	<u><u>\$3,344,506.54</u></u>	<u><u>\$1,510,322.19</u></u>

Note 9. Significant Commitments

The University of West Georgia had no significant unearned, outstanding, construction or renovation contracts that were executed as of June 30, 2006 but 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 (buildings and office facilities) and equipment, and also is obligated under a capital lease for the acquisition of equipment.

CAPITAL LEASES

The University of West Georgia has one capital lease expiring in 2010 with a third-party for PBX equipment. Expenses for fiscal year 2006 were \$321,710.54 of which \$51,950.15 represented interest. Total principal paid on capital leases was \$269,760.39 for the fiscal year ended June 30, 2006. The interest rate was 4.71%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2006:

Equipment \$982,026.02

OPERATING LEASES

University of West Georgia's operating leases having remaining terms of more than one year expire in various fiscal years from 2007–2036. 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 five real estate leases. Two of the leases are with third-party lessors and include the lease for our bookstore and a rental agreement for use of a stadium. The remaining three leases are with related parties and include a lease for the University Suites and Arbor View Apartments, both housing facilities leased by the University of West Georgia Foundation, and the lease for the Campus Center by UWG Real Estate Foundation.

The future commitments for capital lease (which include installment purchase agreements), real estate lease and operating lease agreements having terms in excess of one year are as follows:

Year Ending June 30:	Year	Real Property and Equipment	
		Capital Leases	Operating Leases
2007	1	\$314,225.28	\$4,736,376.65
2008	2	314,225.28	4,749,302.97
2009	3	314,225.28	4,782,069.44
2010	4	77,279.36	4,809,213.09
2011	5		4,768,695.40
2012 through 2016	6-10		23,996,826.58
2017 through 2021	11-15		25,467,329.44
2022 through 2026	16-20		27,093,902.56
2027 through 2031	21-25		23,433,259.32
2032 through 2036	26-30		8,600,000.00
Total minimum lease payments		1,019,955.20	\$132,436,975.45
Less: Interest		75,963.96	
Less: Executory costs (if paid)		0.00	
Principal Outstanding		\$943,991.24	

University of West Georgia FY2006 expense for rental of real property and equipment under operating leases was 3,798,952.12.

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 2006, 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>
2006	100%	\$2,242,016.63
2005	100%	\$2,177,219.12
2004	100%	\$2,202,322.42

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 60. 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, 2006, for employees covered by ERS was \$78,737.93. The University's total payroll for all employees was \$49,045,550.92.

Under the old plan, member contributions consist of 7.41% 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, 2006, the ERS employer contribution rate for the University amounted to 10.41% 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 2006 amounted to \$9,408.53, of which \$8,229.20 was made by the University and \$1,179.33 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, 2006, 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 2006, 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 \$1,907,117.64 (9.65%) and \$988,247.60 (5.0%), 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 (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$ 3,500.00 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 2006 amounted to \$73,389.70 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, 2006.

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, 2006, there were 386 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2006, University of West Georgia recognized as incurred \$1,500,984.43 of expenditures, which was net of \$579,214.15 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2006 are shown below:

Natural Classification	Functional Classification FY2006					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$23,411,209.98	\$173,293.74	\$0.00	\$202,880.48	\$13,320.94	\$44,363.61
Staff	4,093,660.43	296,048.04	108,452.45	5,673,856.87	3,115,036.52	4,690,115.22
Benefits	6,728,898.71	80,090.90	27,071.78	1,532,775.73	745,480.08	2,911,337.83
Personal Services						2,487.21
Travel	456,604.47	33,246.62	5,992.63	177,299.82	96,311.51	99,047.51
Scholarships and Fellowships	18,899.73				11,300.00	316,699.11
Utilities	121,247.67	399.93	93.60	46,009.96	25,221.40	40,364.41
Supplies and Others Services	1,772,146.73	214,807.16	10,810.41	3,268,756.97	3,170,844.60	2,251,393.04
Depreciation	217,014.43	80,007.85		1,096,577.46	4,722.83	79,828.81
Total Expenses	\$36,819,682.15	\$877,894.24	\$152,420.87	\$11,998,157.29	\$7,182,237.88	\$10,435,636.75

Natural Classification	Functional Classification FY2006				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	Total Expenses
Faculty	\$0.00	\$0.00	\$10,000.00	\$0.00	\$23,855,068.75
Staff	3,850,903.55		3,362,409.09		25,190,482.17
Benefits	1,240,464.99		823,988.63		14,090,108.65
Personal Services	(2,087,461.09)		2,087,461.09		2,487.21
Travel	13,149.70		104,242.36		985,894.62
Scholarships and Fellowships		2,815,894.82	854,368.77		4,017,162.43
Utilities	2,675,583.95		501,015.78		3,409,936.70
Supplies and Others Services	2,825,128.02		11,131,586.99		24,645,473.92
Depreciation	397,674.91		1,029,152.10	2,233,397.37	5,138,375.76
Total Expenses	\$8,915,444.03	\$2,815,894.82	\$19,904,224.81	\$2,233,397.37	\$10,133,490.21

Note 16. Component Units

University of West Georgia Foundation, Inc.

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.

During the year ended December 31, 2005, the Foundation distributed \$1,440,543 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 \$13.6 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, Inc. 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 amount is retained in each endowment account.

Investments are comprised of the following amounts at December 31, 2005:

	<u>Cost</u>	<u>Fair Value</u>
Cash held by investment organization	\$265,146.00	\$265,146.00
Government and Agency Securities	2,956,400.00	2,931,474.00
Corporate Bonds	515,348.00	499,686.00
Equity Securities	7,929,520.00	9,636,486.00
Managed Futures	<u>200,000.00</u>	<u>272,918.00</u>
 Total Investments	 <u><u>\$11,866,414.00</u></u>	 <u><u>\$13,605,710.00</u></u>

Capital Assets for Component Units:

The University of West Georgia Foundation, Inc. holds the following Capital Assets as of December 31, 2005:

	<u>December 31, 2005</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$1,918,366.00
Total Capital Assets not being Depreciated	<u>1,918,366.00</u>
Capital Assets being Depreciated:	
Buildings and Improvements	32,534,437.00
Total Capital Assets being Depreciated	<u>32,534,437.00</u>
Less Total Accumulated Depreciation	<u>698,001.00</u>
Total Capital Assets being Depreciated, Net	<u>31,836,436.00</u>
Capital Assets, Net	<u><u>\$33,754,802.00</u></u>

Long-term Liabilities for Component Units:

Student Housing Bonds were issued by the University of West Georgia Foundation, Inc. to finance student housing on university property. The bonds, serial and term, are secured by pledges of gross receipts from student housing at University of West Georgia.

Series 2004A bonds were issued on October 1, 2004 in the amount of \$19,175,000 to fund the Construction of Phase II. The bonds bear interest rates ranging from 3.0% to 5.0%.

Series 2004B bonds were issued on October 1, 2004 in the amount of \$180,000 to fund the Construction of Phase II. The bonds bear interest at a rate of 3.4%.

Series 2005 bonds were issued on March 1, 2005 in the amount of \$13,860,000 as a result of refunding the Series 2003 bonds. These bonds funded the construction of Phase I, University Suites. The bonds bear interest rates ranging from 3.375% to 5.0%

In October 2004, the Foundation obtained a mortgage collateralized by an apartment complex purchased by the Foundation. The principal amount of the loan is \$5,700,000.

The mortgage note payable is payable in monthly installments of interest computed at the rate of London Interbank Offered Rate (LIBOR) plus 1.2% per annum adjusted monthly as of the first business day of each month. At December 31, 2005 the rate was 5.49%. Principal is due at September 29, 2007.

Long-term liability activity for the Foundation for the year ended December 31, 2005 was as follows:

	Beginning Balance <u>January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>December 31, 2005</u>	Amounts due within <u>One Year</u>
Notes and Loans Payable	\$5,700,000.00	\$0.00	\$0.00	\$5,700,000.00	\$0.00
Revenue/Mortgage Bonds Payable	32,560,000.00	13,860,000.00	13,205,000.00	33,215,000.00	360,000.00
Bond Premium	<u>363,667.00</u>	<u>0.00</u>	<u>14,743.00</u>	<u>348,924.00</u>	<u>0.00</u>
Total Long Term Debt	<u><u>\$38,623,667.00</u></u>	<u><u>\$13,860,000.00</u></u>	<u><u>\$13,219,743.00</u></u>	<u><u>\$39,263,924.00</u></u>	<u><u>\$360,000.00</u></u>

Debt Service Obligations

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

		<u>Series 2004 A and B Bonds</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31,2005				
2006	1	\$0.00	\$856,626.00	\$856,626.00
2007	2	455,000.00	856,626.00	1,311,626.00
2008	3	485,000.00	842,256.00	1,327,256.00
209	4	535,000.00	827,706.00	1,362,706.00
2010	5	600,000.00	806,306.00	1,406,306.00
2011 through 2015	6-10	3,285,000.00	3,710,880.00	6,995,880.00
2016 through 2020	11-15	3,980,000.00	3,017,075.00	6,997,075.00
2021 through 2025	16-20	5,030,000.00	1,968,875.00	6,998,875.00
2026 through 2029	21-25	<u>4,985,000.00</u>	<u>607,658.00</u>	<u>5,592,658.00</u>
		<u><u>\$19,355,000.00</u></u>	<u><u>\$13,494,008.00</u></u>	<u><u>\$32,849,008.00</u></u>

		<u>Series 2005 Bonds</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31,2005				
2006	1	\$360,000.00	\$574,662.00	934,662.00
2007	2	370,000.00	562,063.00	932,063.00
2008	3	385,000.00	549,112.00	934,112.00
209	4	375,000.00	535,638.00	910,638.00
2010	5	400,000.00	522,512.00	922,512.00
2011 through 2015	6-10	2,290,000.00	2,339,176.00	4,629,176.00
2016 through 2020	11-15	2,845,000.00	1,817,787.00	4,662,787.00
2021 through 2025	16-20	3,480,000.00	1,189,131.00	4,669,131.00
2026 through 2029	21-25	<u>3,355,000.00</u>	<u>374,937.00</u>	<u>3,729,937.00</u>
		<u><u>\$13,860,000.00</u></u>	<u><u>\$8,465,018.00</u></u>	<u><u>\$22,325,018.00</u></u>

Annual debt service requirements to maturity for Mortgage loans for the Foundation are as follows:

Year ending December 31,2005	Year	<u>Mortgage note payable</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1	\$0.00	\$0.00	0.00
2007	2	5,700,000.00	0.00	5,700,000.00
		<u>\$5,700,000.00</u>	<u>\$0.00</u>	<u>\$5,700,000.00</u>

UWG Real Estate Foundation, Inc.

UWG Real Estate Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the University of West Georgia (University). The Foundation constructs research and auxiliary buildings and facilities for use by the University and then leases the completed buildings to the University. The nine-member board of the Foundation is self-perpetuating and consists of four University administrative positions plus five community directors, who are 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 real estate 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 the sole member of UWG Campus Center, LLC, a Georgia limited liability company, who holds title to all assets and associated conduit debt described herein in connection with the Campus Center construction project.

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 July 1 through June 30.

Construction and equipment valued at \$27 million and the associated long-term debt of \$30.9 million are included in the financial statements of the Foundation. Complete financial statements for the Foundation can be obtained from the Treasurer, Office of Business and Finance 1601 Maple Street, Carrollton, Georgia 30118.

Prior Year Adjustment

A prior year adjustment was necessary to restate the beginning unrestricted net assets for interest not properly accrued or capitalized in fiscal year 2005.

Capital Assets for Component Units:

UWG Real Estate Foundation, Inc. holds the following Capital Assets as of June 30, 2006:

	<u>June 30, 2006</u>
Capital Assets not being Depreciated:	
Construction in Progress	\$27,066,600.00
Total Capital Assets not being Depreciated	<u>27,066,600.00</u>
Capital Assets, Net	<u><u>\$27,066,600.00</u></u>

Long-term Liabilities for Component Units:

Resident Instruction Bonds were issued by the UWG Real Estate Foundation, Inc. to finance Student Center facilities at University of West Georgia. The bonds mature serially and are serviced by a pledge of a portion of student fee and appropriations formerly used for square footage support. The interest rate can fluctuate between 3% and 5.25% over the term of the bonds.

Changes in long-term liabilities for UWG Real Estate Foundation for the fiscal year ended June 30, 2006 are shown below:

	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$30,720,000.00	\$0.00	\$0.00	\$30,720,000.00	\$0.00
Bond Premium, net	<u>217,852.00</u>	<u>0.00</u>	<u>7,476.00</u>	<u>210,376.00</u>	<u>7,476.00</u>
Total Long Term Debt	<u><u>\$30,937,852.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$7,476.00</u></u>	<u><u>\$30,930,376.00</u></u>	<u><u>\$7,476.00</u></u>

Debt Service Obligations

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

Year ending June 30:		Bonds Payable		
		Principal	Interest	Total
2007	1	\$0.00	\$1,427,520.00	\$1,427,520.00
2008	2	360,000.00	1,422,120.00	1,782,120.00
2009	3	390,000.00	1,410,383.00	1,800,383.00
2010	4	425,000.00	1,395,545.00	1,820,545.00
2011	5	465,000.00	1,378,326.00	1,843,326.00
2012 through 2016	6-10	2,950,000.00	6,600,594.00	9,550,594.00
2017 through 2021	11-15	4,265,000.00	5,898,985.00	10,163,985.00
2022 through 2026	16-20	6,235,000.00	4,660,094.00	10,895,094.00
2027 through 2031	21-25	8,355,000.00	2,759,945.00	11,114,945.00
2032 through 2036	26-30	7,275,000.00	695,039.00	7,970,039.00
		<u>\$30,720,000.00</u>	<u>\$27,648,551.00</u>	<u>\$58,368,551.00</u>