

UNIVERSITY OF WEST GEORGIA

Financial Report

Unaudited

For the Year Ended
June 30, 2007

University of West Georgia

Carrollton, Georgia

Dr. Thomas J. Hynes
Interim-President

Jerry Mock
Interim-Vice President for Business and
Finance

UNIVERSITY OF WEST GEORGIA
ANNUAL FINANCIAL REPORT
FY 2007

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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.

University of 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 programs. 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.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2007	356	10,163	8,941
FY2006	287	10,154	8,907
FY2005	311	10,216	8,898

Overview of the Financial Statements and Financial Analysis

University of West Georgia is proud to present its financial statements for fiscal year 2007. 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 2007 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, 2007</u>	<u>June 30, 2006</u>
Assets:		
Current Assets	\$22,542,662	\$17,809,521
Capital Assets, net	124,826,968	65,382,177
Other Assets	1,632,081	1,643,786
Total Assets	<u>149,001,711</u>	<u>84,835,484</u>
Liabilities:		
Current Liabilities	12,927,518	10,600,338
Noncurrent Liabilities	64,786,405	3,129,184
Total Liabilities	<u>77,713,923</u>	<u>13,729,522</u>
Net Assets:		
Invested in Capital Assets, net of debt	61,113,208	64,247,389
Restricted - expendable	2,133,422	2,152,332
Unrestricted	8,041,158	4,706,241
Total Net Assets	<u>\$71,287,788</u>	<u>\$71,105,962</u>

The total assets of the institution increased by \$64,166,227. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$59,444,791 in the category of Capital Assets, net. The balance of the increase is mainly in cash and cash equivalents, which is being held for current liabilities due in the following period.

The total liabilities for the year increased by \$63,984,401, which is due primarily to the \$62,769,769 increase in capital lease obligations attributable to two housing projects and the Campus Center project. The combination of the increase in total assets of \$64,166,227 and the increase in total liabilities of \$63,984,401 yields an increase in total net assets of \$181,826. The

increase in total net assets is primarily due to a decrease in Invested in Capital Assets, net of debt, in the amount of (\$3,134,181) and an increase in Unrestricted Net Assets of \$3,334,917.

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, 2007</u>	<u>June 30, 2006</u>
Operating Revenues	\$60,330,978	\$54,392,015
Operating Expenses	<u>106,795,775</u>	<u>101,334,991</u>
Operating Loss	(46,464,797)	(46,942,976)
Nonoperating Revenues and Expenses	<u>44,326,501</u>	<u>44,254,420</u>
Income (Loss) Before other revenues, expenses, gains or losses	(2,138,296)	(2,688,556)
Other revenues, expenses, gains or losses	<u>2,320,122</u>	<u>1,808,352</u>
Increase in Net Assets	181,826	(880,204)
Net Assets at beginning of year, as originally reported	71,105,962	71,986,166
Prior Year Adjustments	<u>0</u>	<u>0</u>
Net Assets at beginning of year, restated	<u>71,105,962</u>	<u>71,986,166</u>
Net Assets at End of Year	<u><u>\$71,287,788</u></u>	<u><u>\$71,105,962</u></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, 2007 and June 30, 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Revenue		
Tuition and Fees	\$26,712,385	\$24,241,851
Grants and Contracts	9,880,241	9,129,480
Sales and Services	482,595	348,534
Auxiliary	22,658,313	20,062,348
Other	597,444	609,802
Total Operating Revenue	<u>60,330,978</u>	<u>54,392,015</u>
Nonoperating Revenue		
State Appropriations	44,646,940	42,542,759
Gifts	841,643	741,293
Investment Income	1,281,941	800,068
Other	303,113	222,250
Total Nonoperating Revenue	<u>47,073,637</u>	<u>44,306,370</u>
Capital Gifts and Grants		
State	1,896,068	1,808,352
Other Capital Gifts and Grants	424,054	0
Total Capital Gifts and Grants	<u>2,320,122</u>	<u>1,808,352</u>
Total Revenues	<u><u>\$109,724,737</u></u>	<u><u>\$100,506,737</u></u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2007 and June 30, 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Expenses		
Instruction	\$38,219,089	\$36,819,682
Research	939,055	877,894
Public Service	171,503	152,421
Academic Support	13,437,438	11,998,157
Student Services	6,789,898	7,182,238
Institutional Support	11,064,473	10,435,637
Plant Operations and Maintenance	7,257,647	8,915,444
Scholarships and Fellowships	4,239,086	2,815,895
Auxiliary Enterprises	22,658,245	19,904,226
Unallocated Expenses	2,019,341	2,233,397
Total Operating Expenses	<u>106,795,775</u>	<u>101,334,991</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	2,747,136	51,950
Total Expenses	<u><u>\$109,542,911</u></u>	<u><u>\$101,386,941</u></u>

Operating revenues increased by \$5,938,963 in fiscal 2007. Although Tuition & Fees included a small percentage increase, revenues increased in Grants and Contracts and Auxiliary categories.

The Auxiliary revenue increase of \$2,595,965 was generated by an increase in Food Service revenue of \$1,171,383 as a result of moving to a seven day meal plan; Residence Hall revenue increased \$650,556 as a result of rate increases and a slight increase in housing contracts; Parking and Transportation revenue increased by \$239,301 as a result of raising the transportation fee by \$20 to build a new parking lot; Bookstore revenue increased \$366,466 as a result of capturing more sales and increasing used book inventory; and all other auxiliary services generated another \$168,259.

Net non-operating revenues and expenses increased by \$72,081 for the year primarily due to an increase of \$2,104,181 in State Appropriations, an increase in Interest Expense (Capital Assets) of \$2,695,186 and an increase in Investment Income, Gifts and other items of \$663,086.

The compensation and employee benefits category increased by \$3,798,359 and primarily affected the Instruction, Academic Support and Institutional Support categories. The increase reflects the addition of faculty members, merit increases and an increased cost of health insurance for the employees of the institution.

Student Services decreased by (\$392,340) due to the reclassification of the Campus Center lease from operating lease to capital lease.

The decrease in Plant Operations and Maintenance is due to a one year increase (2006) in contracted services

Unallocated Expenses is unallocated depreciation and will fluctuate from year to year.

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, 2007 and 2006, Condensed

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash Provided (used) By:		
Operating Activities	(\$36,213,975)	(\$40,679,626)
Non-capital Financing Activities	45,866,787	43,644,127
Capital and Related Financing Activities	(6,148,225)	(2,656,320)
Investing Activities	1,246,728	800,069
Net Change in Cash	4,751,315	1,108,250
Cash, Beginning of Year	14,461,262	13,353,012
Cash, End of Year	<u>\$19,212,577</u>	<u>\$14,461,262</u>

Capital Assets

During fiscal year 2007, the University recorded \$3,072,882 in capital additions (excluding capital leases). The breakdown included \$796,107 in library collections, \$370,385 in facilities improvements (donated bridge and pathway), \$578,088 in building improvements (Facility Storage - \$287,370; Boyd roof replacement \$290,718) and \$1,328,302 in equipment additions.

An additional \$1,605,554 was booked as construction work in progress for projects mostly funded through GSFIC. Construction on the \$5 million Callaway Building Addition begins in July 2007 and construction on the \$32 million Health and Wellness Building will start in August 2007.

Projected GSFIC funding for fiscal year 2008 MRR projects will remain the same.

For additional information concerning Capital Assets, see Notes 1, 6, 8, 9 and 10 in the notes to the financial statements.

Long Term Debt and Liabilities

University of West Georgia had Long-Term Debt and Liabilities of \$66,334,118 of which \$2,632,713 was reflected as current liability at June 30, 2007.

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 FY2007. The University of West Georgia Foundation, Inc. had investments of \$20.6 million as of December 31, 2006, 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. The Campus Center was constructed and placed into service by the Real Estate Foundation in 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.

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

Statement of Net Assets

**University of West Georgia
STATEMENT OF NET ASSETS
June 30, 2007**

	<u>University of West Georgia</u>	<u>Component Unit University of West Georgia Foundation, Inc.</u>	<u>Component Unit UWG Real Estate Foundation, Inc.</u>
ASSEIS			
Current Assets			
Cash and Cash Equivalents	\$19,212,577	\$2,940,063	\$4,105,470
Short-term Investments	675,445	5,019,626	
Accounts Receivable, net (note 3)			
Receivables - Federal Financial Assistance	172,790		
Receivables - Other	1,116,047	64,311	23,521
Due From Component Units	50		
Leases Receivable		2,600,360	1,760,000
Pledges Receivable		853,198	
Due From Primary Government			9,549
Inventories (note 4)	918,698		
Prepaid items	447,055		1,981
Total Current Assets	<u>22,542,662</u>	<u>11,477,558</u>	<u>5,900,521</u>
Noncurrent Assets			
Investments (including Real Estate)		15,603,044	
Notes Receivable, net	1,632,081		
Leases Receivable		50,431,527	54,810,000
Pledges Receivable		1,268,609	
Capital Assets, net (note 6)	124,826,968	6,170,270	
Other Assets		1,085,985	758,838
Total Noncurrent Assets	<u>126,459,049</u>	<u>74,559,435</u>	<u>55,568,838</u>
TOTAL ASSEIS	<u>149,001,711</u>	<u>86,036,993</u>	<u>61,469,359</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	2,043,605	553,026	582,741
Salaries Payable	319,751		
Contracts Payable	82,324		
Deposits	790,725		
Deferred Revenue (note 7)	5,845,356	1,860,559	1,559,051
Other Liabilities	195,010		
Deposits Held for Other Organizations	1,008,485		
Due to Primary Government			50
Lease Purchase Obligations (current portion)	1,398,960		
Compensated Absences (current portion)	1,233,753		
Revenue/Mortgage Bonds Payable (current)		839,743	367,476
Due to Component Units	9,549		
Notes and Loans Payable (current portion)		5,700,000	
Total Current Liabilities	<u>12,927,518</u>	<u>8,953,328</u>	<u>2,509,318</u>
Noncurrent Liabilities			
Lease Purchase Obligations (noncurrent)	62,314,800		
Deferred Revenue (noncurrent)	1,085,000	18,196,848	26,738,400
Compensated Absences (noncurrent)	1,386,605		
Revenue/Mortgage Bonds Payable (noncurrent)		32,349,438	30,555,424
Liabilities under Split-Interest Agreements (noncurrent)		56,377	
Notes and Loans Payable (noncurrent)		395,000	
Total Noncurrent Liabilities	<u>64,786,405</u>	<u>50,997,663</u>	<u>57,293,824</u>
TOTAL LIABILITIES	<u>77,713,923</u>	<u>59,950,991</u>	<u>59,803,142</u>
NET ASSEIS			
Invested in Capital Assets, net of related debt	61,113,208	795,556	249,246
Restricted for			
Nonexpendable		10,145,595	
Expendable	2,133,422	15,456,341	
Unrestricted	8,041,158	(311,490)	1,416,971
TOTAL NET ASSEIS	<u>\$71,287,788</u>	<u>\$26,086,002</u>	<u>\$1,666,217</u>

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, 2007

	University of West Georgia	Component Unit University of West Georgia Foundation, Inc.	Component Unit UWG Real Estate Foundation, Inc.
REVENUES			
Operating Revenues			
Student Tuition and Fees (net of allowance for doubtful accounts)	\$32,822,754	\$0	\$0
Less: Scholarship Allowances	(6,110,369)		
Gifts and Contributions		4,433,025	
Endowment Income (per spending plan)		1,884,808	
Grants and Contracts			
Federal	7,923,223		
State	837,027		
Other	1,119,991		
Sales and Services	482,595		
Rents and Royalties	18,329	543,580	72,500
Auxiliary Enterprises			
Residence Halls	8,414,597		
Bookstore	3,859,317		
Food Services	4,872,358		
Parking/Transportation	1,121,618		
Health Services	1,535,868		
Intercollegiate Athletics	2,540,549		
Other Organizations	314,006		
Interest and Dividend income		1,685,380	1,221,347
Other Operating Revenues	579,115	561,366	
Total Operating Revenues	<u>60,330,978</u>	<u>9,108,159</u>	<u>1,293,847</u>
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	25,067,967		
Staff	26,782,414	411,713	
Employee Benefits	15,083,638	137,433	
Other Personal Services	291,810		
Travel	946,177	2,854	
Scholarships and Fellowships	5,363,951		
Utilities	3,253,817		
Supplies and Other Services	21,062,800	797,807	
Depreciation	8,943,201	94,653	
Other Operating Expense		91,419	83,476
Payments to or on behalf of University of West Georgia		1,547,361	
Total Operating Expenses	<u>106,795,775</u>	<u>3,083,240</u>	<u>83,476</u>
Operating Income (loss)	<u>(46,464,797)</u>	<u>6,024,919</u>	<u>1,210,371</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, 2007

	<u>University of West Georgia</u>	<u>Component Unit University of West Georgia Foundation, Inc.</u>	<u>Component Unit UWG Real Estate Foundation, Inc.</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	44,646,940		
Gifts	841,643		
Investment Income (endowments, auxiliary and other)	1,281,941		177,055
Interest Expense (capital assets)	(2,747,136)	(1,816,961)	(1,411,271)
Other Nonoperating Revenues	303,113		16,271
Net Nonoperating Revenues	<u>44,326,501</u>	<u>(1,816,961)</u>	<u>(1,217,945)</u>
Income before other revenues, expenses, gains, or loss	(2,138,296)	4,207,958	(7,574)
Capital Grants and Gifts			
State	1,896,068		
Other	424,054		
Additions to permanent endowments		715,612	
Total Other Revenues	<u>2,320,122</u>	<u>715,612</u>	<u>0</u>
Increase in Net Assets	181,826	4,923,570	(7,574)
NET ASSETS			
Net Assets-beginning of year, as originally reported	71,105,962	15,936,073	1,673,791
Prior Year Adjustments		5,226,359	
Net Assets-beginning of year, restated	<u>71,105,962</u>	<u>21,162,432</u>	<u>1,673,791</u>
Net Assets-End of Year	<u>\$71,287,788</u>	<u>\$26,086,002</u>	<u>\$1,666,217</u>

Statement of Cash Flows

University of West Georgia STATEMENT OF CASH FLOWS For the Year Ended June 30, 2007

	<u>June 30, 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$27,227,039
Grants and Contracts (Exchange)	9,810,728
Sales and Services	482,595
Payments to Suppliers	(40,081,204)
Payments to Employees	(51,552,890)
Payments for Scholarships and Fellowships	(5,363,951)
Loans Issued to Students and Employees	(613,930)
Collection of Loans to Students and Employees	625,636
Auxiliary Enterprise Charges:	
Residence Halls	8,469,058
Bookstore	3,773,490
Food Services	4,749,944
Parking/Transportation	1,153,627
Health Services	1,580,303
Intercollegiate Athletics	2,576,746
Other Organizations	363,620
Other Receipts (payments)	585,214
Net Cash Provided (used) by Operating Activities	<u>(36,213,975)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	44,646,940
Agency Funds Transactions	(88,313)
Gifts and Grants Received for Other Than Capital Purposes	1,308,160
Net Cash Flows Provided by Non-capital Financing Activities	<u>45,866,787</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	1,721,213
Purchases of Capital Assets	(3,499,031)
Principal Paid on Capital Debt and Leases	(1,623,271)
Interest Paid on Capital Debt and Leases	(2,747,136)
Net Cash used by Capital and Related Financing Activities	<u>(6,148,225)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	640,232
Interest on Investments	1,281,941
Purchase of Investments	(675,445)
Net Cash Provided (used) by Investing Activities	<u>1,246,728</u>
Net Increase/Decrease in Cash	<u>4,751,315</u>
Cash and Cash Equivalents - Beginning of year	14,461,262
Cash and Cash Equivalents - End of Year	<u><u>\$19,212,577</u></u>

Statement of Cash Flows, Continued

**University of West Georgia
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007**

June 30, 2007

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

Operating Income (loss)	(\$46,464,797)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	8,943,201
Change in Assets and Liabilities:	
Receivables, net	171,842
Inventories	(148,473)
Prepaid Items	30,019
Notes Receivable, Net	11,706
Accounts Payable	780,583
Deferred Revenue	558,942
Other Liabilities	(316,840)
Compensated Absences	219,842
Net Cash Provided (used) by Operating Activities	<u>(\$36,213,975)</u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$64,393,040</u>
Gift of capital assets reducing proceeds of capital grants and gifts	<u>(\$598,909)</u>

UNIVERSITY OF WEST GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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-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 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 FY2007, University of West Georgia is reporting the activity for the University of West Georgia Foundation, Inc. and the University of West Georgia 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 grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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

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/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation 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.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2007, GSFIC transferred no 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 compensated absences 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 \$2,400,515 as of 7-1-2006. For FY2007, \$1,831,452 was earned in compensated absences and employees were paid \$1,611,609, for a net increase of \$219,843. The ending balance as of 6-30-2007 in accrued liability for compensated absences was \$2,620,358.

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, 2007</u>
Federal Loans	\$1,861,681
Institutional Loans	271,741
Total Restricted Expendable	<u>\$2,133,422</u>

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, 2007</u>
R & R Reserve	\$7,083,765
Reserve for Encumbrances	4,640,489
Reserve for Inventory	126,057
Other Unrestricted	(3,809,153)
Total Unrestricted Net Assets	<u>\$8,041,158</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.

In prior year financial statements, a portion of tuition and fee waivers granted by the University were reported within the Tuition and Fees revenue line item instead of Scholarship Allowances. Because of this difference in reporting tuition and fee waivers in fiscal 2007, comparison with prior year financial statements at the Net Tuition and Fees level will result in a better gauge of the year over year change.

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, 2007, the carrying value of deposits was \$5,849,465 and the bank balance was \$7,447,841. Of the University's deposits, \$7,147,741 were uninsured. Of these uninsured deposits, \$7,147,741 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, 2007, the carrying value of the University's investments was \$14,019,507, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and/or Office of Treasury and Fiscal Services investment pools as follows:

Investment Pools	
Board of Regents	
Short-Term Fund	\$144,759
Sub Total	<u>144,759</u>
Office of Treasury and Fiscal Services	
Georgia Fund 1	13,874,748
Sub Total	<u>13,874,748</u>
Total Investment Pools	<u><u>\$14,019,507</u></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/searchRpts.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. 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 15 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 2.24 years. Of the University's total investment of \$ 144,759 in the Short Term Fund, \$140,209 is invested in debt securities.

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.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Student Tuition and Fees	\$590,209
Auxiliary Enterprises and Other Operating Activities	307,770
Federal Financial Assistance	172,790
Due from Component Units	50
Other	594,567
	<u>1,665,386</u>
Less Allowance for Doubtful Accounts	<u>376,499</u>
Net Accounts Receivable	<u><u>\$1,288,887</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Bookstore	\$790,011
Physical Plant	<u>128,687</u>
Total	<u><u>\$918,698</u></u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2007. 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, 2007.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2007:

	Beginning Balances 7/1/2006	Additions	Reductions	Ending Balance 6/30/2007
Capital Assets, Not Being Depreciated:				
Land	\$554,184	\$0	\$0	\$554,184
Construction Work-in-Progress	3,184,065	1,605,554	683,484	4,106,135
Total Capital Assets Not Being Depreciated	3,738,249	1,605,554	683,484	4,660,319
Capital Assets, Being Depreciated:				
Infrastructure	3,144,580			3,144,580
Building and Building Improvements	87,927,664	578,088		88,505,752
Facilities and Other Improvements	1,982,927	370,385		2,353,312
Equipment	15,743,296	1,328,302	63,067	17,008,531
Capital Leases	1,402,887	64,393,040		65,795,927
Library Collections	14,098,836	796,107	35,392	14,859,551
Capitalized Collections	13,516			13,516
Total Assets Being Depreciated	124,313,706	67,465,922	98,459	191,681,169
Less: Accumulated Depreciation				
Infrastructure	198,108	125,783		323,891
Buildings	39,645,736	2,825,974		42,471,710
Facilities and Other improvements	795,877	100,392		896,269
Equipment	11,007,342	1,190,745	63,067	12,135,020
Capital Leases	420,861	4,030,534		4,451,395
Library Collections	10,593,820	669,434	35,392	11,227,862
Capitalized Collections	8,034	339		8,373
Total Accumulated Depreciation	62,669,778	8,943,201	98,459	71,514,520
Total Capital Assets, Being Depreciated, Net	61,643,928	58,522,721	0	120,166,649
Capital Assets, net	\$65,382,177	\$60,128,275	\$683,484	\$124,826,968

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Prepaid Tuition and Fees	\$3,547,350
Research	581,875
Other Deferred Revenue	<u>1,716,131</u>
Totals	<u><u>\$5,845,356</u></u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2007</u>	<u>Current Portion</u>
Leases					
Lease Obligations	<u>\$943,991</u>	<u>\$64,393,040</u>	<u>\$1,623,271</u>	<u>\$63,713,760</u>	<u>\$1,398,960</u>
Other Liabilities					
Compensated Absences	<u>2,400,515</u>	<u>1,831,452</u>	<u>1,611,609</u>	<u>2,620,358</u>	<u>1,233,753</u>
Total	<u>2,400,515</u>	<u>1,831,452</u>	<u>1,611,609</u>	<u>2,620,358</u>	<u>1,233,753</u>
Total Long Term Obligations	<u><u>\$3,344,506</u></u>	<u><u>\$66,224,492</u></u>	<u><u>\$3,234,880</u></u>	<u><u>\$66,334,118</u></u>	<u><u>\$2,632,713</u></u>

Note 9. Significant Commitments

The University of West Georgia had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$1,154,810 as of June 30, 2007. This amount is not reflected in the accompanying basic financial statements.

Significant projects are the destruction of Roberts Hall (spent \$191,808 and \$345,584 to spend), Renovation of Callaway Building (UWG committed \$397,645 to the project), UCC roof replacement and building controls of \$270,182 and \$141,399 for Education Center control systems. In addition, we have a \$200,000 unexecuted agreement with the Foundation for a rental agreement for a parking lot.

Note 10. Lease Obligations

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.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2009 and 2035. Expenditures for fiscal year 2007 were \$4,819,285 of which \$2,747,136 million represented interest and \$448,878 represented executory costs. Total principal paid on capital leases was \$1,623,271 million for the fiscal year ended June 30, 2007, which includes \$437,886 in corrections of prior year treatment of certain leases as operating. Interest rates range from 3.0 percent to 4.75 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2007:

Buildings	\$58,140,473
Equipment	3,204,059
Total Assets Held Under Capital Lease	<u>\$61,344,532</u>

Certain capital leases provide for renewal and/or transfer of ownership.

Two separate capital leases for student residence halls are with the University of West Georgia Foundation, Inc., a discretely presented component unit in these financial statements. The University Suites lease began in August, 2004 and expires in August, 2029. Its outstanding principal balance at June 30, 2007 is \$12,408,641. The Arbor View Apartments lease began in August, 2005 and expires in June, 2030. The outstanding principal balance is \$20,223,471 as of June 30, 2007. Last year these two leases were considered operating leases and have been reclassified as capital leases for this and all future periods.

The University Center is being leased from the University of West Georgia Real Estate Foundation, Inc., UWG Campus Center, LLC, also a discretely presented component unit in these financial statements. The lease began in September, 2006 and expires in June, 2035. The remaining balance on this lease as of June 30, 2007 is \$30,413,308.

University of West Georgia also has a capital lease for PBX equipment with a third party that has an outstanding principal balance at June 30, 2007 in the amount of \$668,340. This lease expires in December, 2009.

Refer to Note 16 – Component units for additional information.

OPERATING LEASES

University of West Georgia's operating leases having remaining terms of more than one year expire in various fiscal years from 2008–2012. 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 two real property operating leases. The leases are with third-party lessors and include the lease for our bookstore and a rental agreement for use of a stadium.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2007, were as follows:

Year Ending June 30:	Year	Real Property and Equipment	
		Capital Leases	Operating Leases
2008	1	\$4,821,751	\$342,253
2009	2	4,904,921	304,673
2010	3	4,761,817	168,488
2011	4	4,739,579	122,155
2012	5	4,787,435	9,549
2013 through 2017	6-10	24,782,326	
2018 through 2022	11-15	26,276,073	
2023 through 2027	16-20	27,935,960	
2028 through 2032	21-25	20,338,781	
2033 through 2037	26-30	6,370,000	
Total minimum lease payments		129,718,643	\$947,118
Less: Interest		45,511,139	
Less: Executory costs (if paid)		20,493,744	
Principal Outstanding		\$63,713,760	

University of West Georgia's FY2007 expense for rental of real property and equipment under operating leases was \$381,007.

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 2007, the employer contribution rate was 9.28% 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>
2007	100%	\$2,372,082
2006	100%	\$2,242,017
2005	100%	\$2,177,219

Employees' Retirement System of Georgia

Plan Description

University of West Georgia participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-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, 2007, for employees covered by ERS was \$78,576. The University's total payroll for all employees was \$51,850,380.

For the year ended June 30, 2007 under the old plan, member contributions consist of 6.5% of annual compensation minus \$7.00. 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 both old and new plans. For the year ended June 30, 2007, 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 2007 amounted to \$9,408, of which \$8,230 was made by the University and \$1,178 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, 2007 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 2007, the employer contribution was 9.66% for the first six months and 8.13% for the last six months 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 \$1,895,333 (9.66% or 8.13%) and \$1,059,890 (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 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 2007 amounted to \$64,706 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 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, 2007.

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, 2007, there were 351 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2007, University of West Georgia recognized as incurred \$1,564,732 of expenditures, which was net of \$497,376 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2007 are shown below:

Natural Classification	Functional Classification FY2007					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$24,481,681	\$222,456	\$0	\$290,533	\$15,950	\$46,724
Staff	4,213,797	271,144	129,661	6,131,646	3,475,903	5,036,437
Benefits	7,056,855	83,211	31,459	1,633,825	88,926	3,191,664
Personal Services						289,583
Travel	458,564	35,347	4,937	160,884	93,956	97,869
Scholarships and Fellowships	42,373	20,800			5,380	12,051
Utilities	117,146	381	94	50,535	25,764	37,275
Supplies and Others Services	1,679,499	220,604	5,352	3,999,109	1,681,986	2,225,641
Depreciation	169,174	85,112		1,170,906	672,033	17,229
Total Expenses	\$38,219,089	\$939,055	\$171,503	\$13,437,438	\$6,789,898	\$11,064,473

Natural Classification	Functional Classification FY2007				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	Total Expenses
Faculty	\$0	\$0	\$10,623	\$0	\$25,067,967
Staff	4,234,246		3,289,580		26,782,444
Benefits	1,384,189		883,509		15,083,638
Personal Services	(2,303,558)		2,305,785		291,810
Travel	9,934		84,686		946,177
Scholarships and Fellowships		4,239,086	934,261		5,363,951
Utilities	2,917,232		105,390		3,253,817
Supplies and Others Services	481,084		10,769,525		21,062,800
Depreciation	534,520		4,274,886	2,019,341	8,943,201
Total Expenses	\$7,257,647	\$4,239,086	\$22,658,245	\$2,019,341	\$106,795,775

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, 2006 through December 31, 2006.

Investments carried as leases receivable are valued at \$53 million and the associated long-term debt of \$33.2 million are included in the financial statements of the Foundation. The corresponding buildings and associated capital leases are included in the University's report. Note 10 of this financial report provides information on related party leases.

During the year ended December 31, 2006, the Foundation distributed \$1,547,361 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.

Prior Year Adjustment:

A prior year adjustment was necessary to correct an error in the accounting of a capital lease. In the prior year, the lease was accounted for as an operating lease when it should have been treated as a capital lease. The net effect of the change was to increase beginning net assets by \$5,226,359.

Investments for Component Units:

University of West Georgia Foundation, Inc. holds endowment and other investments in the amount of \$20.6 million. The corpus of the endowment portion 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.

The University of West Georgia Foundation, Inc. investments are comprised of the following amounts at December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Cash held by investment organization	\$615,982	\$615,982
Money Market Accounts	4,033,600	4,033,600
Stocks and Options	9,316,352	11,210,950
Certificates of Deposit	370,044	370,044
Fixed income securities	4,076,270	4,137,272
Managed Futures	<u>251,669</u>	<u>254,822</u>
 Total Investments	 <u><u>\$18,663,917</u></u>	 <u><u>\$20,622,670</u></u>

Capital Assets for Component Units:

The University of West Georgia Foundation, Inc. holds the following Capital Assets as of December 31, 2006:

	<u>December 31, 2006</u>
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$2,589,218</u>
Total Capital Assets not being Depreciated	2,589,218
Capital Assets being Depreciated:	
Buildings and Improvements	<u>3,786,134</u>
Total Capital Assets being Depreciated	3,786,134
Less Total Accumulated Depreciation	<u>205,082</u>
Total Capital Assets being Depreciated, Net	<u>3,581,052</u>
Capital Assets, Net	<u><u>\$6,170,270</u></u>

Long-term Liabilities for Component Units:

Long-term liability activity for the Foundation for the year ended December 31, 2006 was as follows:

	Beginning Balance <u>January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>December 31, 2006</u>	Amounts due within <u>One Year</u>
Liabilities under split interest agreement	\$0	\$56,377	\$0	\$56,377	\$0
Notes and Loans Payable	5,700,000	395,000		6,095,000	5,700,000
Revenue/Mortgage Bonds Payable	<u>33,563,924</u>		<u>374,743</u>	<u>33,189,181</u>	<u>839,743</u>
Total Long Term Liabilities	<u><u>\$39,263,924</u></u>	<u><u>\$451,377</u></u>	<u><u>\$374,743</u></u>	<u><u>\$39,340,558</u></u>	<u><u>\$6,539,743</u></u>

Notes and Loans Payable:

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, 2006 the rate was 6.54%. Principal is due at September 29, 2007.

In January 2006, the Foundation established a line of credit in order to purchase a piece of real estate which serves as collateral for the loan. The amount borrowed was \$395,000 and has a maturity date of December 6, 2008. Interest is computed based on the LIBOR rate plus 1.2% annum.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

Year ending December 31:		Notes and Loans Payable		
		Principal	Interest	Total
2007	1	\$5,700,000	\$305,418	\$6,005,418
2008	2	395,000	23,680	418,680
		<u>\$6,095,000</u>	<u>\$329,098</u>	<u>\$6,424,098</u>

Revenue Bonds Payable:

Student Housing Revenue Bonds were issued by the University of West Georgia Foundation, Inc. to finance student housing on university property in the amount of \$33,215,000. The bonds, serial and term, are secured by pledges of gross receipts from student housing at University of West Georgia. The outstanding principal balance of the bonds at December 31, 2006 is \$33,189,181, which includes unamortized bond premiums of \$334,181.

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 rates 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%

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

Year ending December 31:		Bonds Payable		Total
		Principal	Interest	
2007	1	\$839,743	\$1,418,689	\$2,258,432
2008	2	884,743	1,391,369	2,276,112
2009	3	924,743	1,363,344	2,288,087
2010	4	1,014,743	1,328,819	2,343,562
2011	5	1,054,743	1,294,569	2,349,312
2012 through 2016	6-10	5,863,715	5,831,011	11,694,726
2017 through 2021	11-15	7,193,715	4,542,694	11,736,409
2022 through 2026	16-20	8,978,715	2,759,406	11,738,121
2027 through 2029	21-25	6,434,321	597,839	7,032,160
		<u>\$33,189,181</u>	<u>\$20,527,738</u>	<u>\$53,716,919</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 institution. The seven-member board of the Foundation is self-perpetuating and consists of graduates 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 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 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.

Investments carried as leases receivable are valued at \$56.6 million and the associated long-term debt of \$30.9 million are included in the financial statements of the Foundation. The corresponding buildings and associated capital leases are included in the University's report. Note 10 of this financial report provides information on related party leases. Complete financial statements for the Foundation can be obtained from the Treasurer, Office of Business and Finance, 1601 Maple Street, Carrollton, Georgia 30118

Long-term Liabilities for Component Units:

Resident Instruction Bonds are 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, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$30,930,376	\$0	\$7,476	\$30,922,900	\$367,476
Total Long Term Liabilities	\$30,930,376	\$0	\$7,476	\$30,922,900	\$367,476

Debt Service Obligations

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

Year ending June 30:		Principal	Bonds Payable Interest	Total
2008	1	\$367,476	\$1,422,120	\$1,789,596
2009	2	397,476	1,410,383	1,807,859
2010	3	432,476	1,395,545	1,828,021
2011	4	472,476	1,378,326	1,850,802
2012	5	512,476	1,360,770	1,873,246
2013 through 2017	6-10	3,217,380	6,486,557	9,703,937
2018 through 2022	11-15	4,632,380	5,710,008	10,342,388
2023 through 2027	16-20	6,747,380	4,320,288	11,067,668
2028 through 2032	21-25	8,637,380	2,345,164	10,982,544
2033 through 2037	26-30	5,506,000	391,876	5,897,876
		\$30,922,900	\$26,221,037	\$57,143,937