

UNIVERSITY OF WEST GEORGIA

Financial Report

**For the Year Ended
June 30, 2008**

University of West Georgia

Carrollton, Georgia

Dr. Beheruz N. Sethna
President

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Vice President for Business and Finance

UNIVERSITY OF WEST GEORGIA
ANNUAL FINANCIAL REPORT
FY 2008

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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 109 programs of study, including 56 at the Bachelors level, 40 at the Masters and Specialists level, 11 Certificates, 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.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2008	424	10,677	9,461
FY2007	430	10,163	8,941
FY2006	287	10,154	8,907

Overview of the Financial Statements and Financial Analysis

University of West Georgia is proud to present its financial statements for fiscal year 2008. 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 2008 and FY 2007.

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, 2008</u>	<u>June 30, 2007</u>
Assets:		
Current Assets	\$28,830,154	\$22,542,662
Capital Assets, net	123,561,136	124,826,968
Other Assets	2,511,135	1,632,081
Total Assets	<u>154,902,425</u>	<u>149,001,711</u>
Liabilities:		
Current Liabilities	16,446,781	12,927,518
Noncurrent Liabilities	63,098,889	64,786,405
Total Liabilities	<u>79,545,670</u>	<u>77,713,923</u>
Net Assets:		
Invested in Capital Assets, net of debt	61,245,873	61,113,208
Restricted - expendable	3,088,157	2,133,422
Unrestricted	11,022,725	8,041,158
Total Net Assets	<u><u>\$75,356,755</u></u>	<u><u>\$71,287,788</u></u>

The total assets of the institution increased by \$5,900,714. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$5,397,495 in Cash and Cash Equivalents and the balance was in Prepaids and Non-current Cash. The Capital Asset, net category decreased by \$ (\$1,265,832), of which \$455,000 was from a razed residence hall and the remainder in equipment.

The total liabilities for the year increased by \$1,831,747. The combination of the increase in total assets of \$5,900,714 and the increase in total liabilities of \$1,831,747 yields an increase in

total net assets of \$4,068,967. The increase in total net assets is primarily in the category of Unrestricted Net Assets of \$2,981,567 and Restricted Expendable Net Assets of \$954,735.

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, 2008</u>	<u>June 30, 2007</u>
Operating Revenues	\$68,279,187	\$60,330,978
Operating Expenses	115,308,363	106,795,775
Operating Loss	<u>(47,029,176)</u>	<u>(46,464,797)</u>
Nonoperating Revenues and Expenses	<u>47,989,235</u>	<u>44,326,501</u>
Income (Loss) Before other revenues, expenses, gains or losses	960,059	(2,138,296)
Other revenues, expenses, gains or losses	<u>3,108,908</u>	<u>2,320,122</u>
Increase in Net Assets	4,068,967	181,826
Net Assets at beginning of year, as originally reported	71,287,788	71,105,962
Prior Year Adjustments	<u>0</u>	<u>0</u>
Net Assets at beginning of year, restated	<u>71,287,788</u>	<u>71,105,962</u>
Net Assets at End of Year	<u><u>\$75,356,755</u></u>	<u><u>\$71,287,788</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, 2008 and June 30, 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Revenue		
Tuition and Fees	\$29,764,091	\$26,712,385
Grants and Contracts	11,854,837	9,880,241
Sales and Services	394,268	482,595
Auxiliary	25,023,703	22,658,313
Other	1,242,288	597,444
Total Operating Revenue	<u>68,279,187</u>	<u>60,330,978</u>
Nonoperating Revenue		
State Appropriations	48,576,377	44,646,940
Gifts	1,531,698	841,643
Investment Income	1,142,250	1,281,941
Other	(327,062)	303,113
Total Nonoperating Revenue	<u>50,923,263</u>	<u>47,073,637</u>
Capital Gifts and Grants		
State	3,108,908	1,896,068
Other Capital Gifts and Grants	0	424,054
Total Capital Gifts and Grants	<u>3,108,908</u>	<u>2,320,122</u>
Total Revenues	<u>\$122,311,358</u>	<u>\$109,724,737</u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2008 and June 30, 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Expenses		
Instruction	\$41,902,840	\$38,219,089
Research	1,001,673	939,055
Public Service	187,015	171,503
Academic Support	14,099,789	13,437,438
Student Services	7,701,243	6,789,898
Institutional Support	11,120,730	11,064,473
Plant Operations and Maintenance	10,303,180	7,257,647
Scholarships and Fellowships	4,916,218	4,239,086
Auxiliary Enterprises	24,075,675	22,658,245
Unallocated Expenses	0	2,019,341
Total Operating Expenses	<u>115,308,363</u>	<u>106,795,775</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	2,934,028	2,747,136
Total Expenses	<u>\$118,242,391</u>	<u>\$109,542,911</u>

Operating revenues increased by \$7,948,209 in fiscal 2008. Tuition & Fees included an 11.4% increase, and revenues increased in Grants and Contracts, Auxiliary and Other categories.

The Auxiliary revenue increase of \$2,365,390 is a result of an overall 5% increase in student population and additional increases in student fees.

Non-operating revenues increased by \$3,849,626 for the year primarily due to an increase of \$3,929,437 in State Appropriations.

The compensation and employee benefits category increased by \$4,331,454 and primarily affected the Instruction, Academic Support and Institutional Support categories. The increase reflects the addition of staff, merit increases and an increased cost of health insurance for the employees of the institution.

Utilities increased by \$185,793 during the past year. The increase was primarily associated with increased energy prices that were experienced throughout fiscal year 2008 and affected the Plant Operations and Maintenance category.

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, 2008 and 2007, Condensed

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash Provided (used) By:		
Operating Activities	(\$38,324,627)	(\$36,213,975)
Non-capital Financing Activities	50,271,002	45,866,787
Capital and Related Financing Activities	(6,754,601)	(6,148,225)
Investing Activities	873,688	1,246,728
Net Change in Cash	<u>6,065,462</u>	<u>4,751,315</u>
Cash, Beginning of Year	19,212,577	14,461,262
Cash, End of Year	<u><u>\$25,278,039</u></u>	<u><u>\$19,212,577</u></u>

Capital Assets

During fiscal year 2008, the University recorded \$4,355,738 in capital asset additions. These additions included \$2,083,059 in building improvements (library renovations \$831,636, education center roof replacement \$581,060, Boyd Building improvements \$253,308, and other-\$417,055), \$1,520,307 in equipment purchases, and \$752,372 in library collections.

Additionally, \$1,930,366 in net additions was recorded to the construction work in progress account. These additions consisted primarily of projects funded through Georgia State Financing and Investment Commission (GSFIC), and the majority was for the construction and renovation on the Callaway Building.

Overall, the Capital Asset, net category decreased by (\$1,265,832), primarily due to the excess of the current year depreciation expense charge over capital asset additions.

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 \$65,013,064 of which \$2,789,175 was reflected as current liability at June 30, 2008.

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 FY2008. The University of West Georgia Foundation, Inc. had investments of \$22.9 million as of December 31, 2007, and long-term debt of \$38.8 million. The UWG Real Estate Foundation, Inc. had long-term debt of \$30.6 million in the form of one bond issue. 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. Beheruz N. Sethna, President
University of West Georgia

Statement of Net Assets

UNIVERSITY OF WEST GEORGIA
STATEMENT OF NET ASSETS
June 30, 2008

	University of West Georgia	Component Unit University of West Georgia Foundation, Inc.	Component Unit UW G Real Estate Foundation, Inc.
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$24,610,072	\$2,990,199	\$4,093,756
Short-term Investments	873,437	5,740,457	
Accounts Receivable, net (note 3)			
Receivables - Federal Financial Assistance	187,389		
Receivables - Other	1,199,050	75,340	12,819
Net Investment in Capital Leases		827,991	320,513
Pledges Receivable		1,370,930	
Due From Primary Government		14,078	
Inventories (note 4)	977,355		
Prepaid items	982,851		
Total Current Assets	28,830,154	11,018,995	4,427,088
Noncurrent Assets			
Noncurrent Cash	667,967		
Short-term Investments	70,570		
Investments (including Real Estate)		17,110,496	
Notes Receivable, net	1,772,598		
Net Investment in Capital Leases		31,406,687	29,785,575
Pledges Receivable		1,333,836	
Capital Assets, net (note 6)	123,561,136	6,411,074	17,700
Other Assets		1,052,986	731,653
Total Noncurrent Assets	126,072,271	57,315,079	30,534,928
TO TAL ASSETS	154,902,425	68,334,074	34,962,016
LIABILITIES			
Current Liabilities			
Accounts Payable	3,062,131	509,549	584,432
Salaries Payable	465,035		
Contracts Payable	837,444	220,908	
Deposits	847,390		
Deferred Revenue (note 7)	7,215,941		
Other Liabilities	211,636		
Deposits Held for Other Organizations	1,018,029		
Lease Purchase Obligations (current portion)	1,499,166		
Compensated Absences (current portion)	1,290,009		
Revenue/Mortgage Bonds Payable (current)		870,000	390,000
Notes and Loans Payable (current portion)		5,303,552	
Total Current Liabilities	16,446,781	6,904,009	974,432
Noncurrent Liabilities			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)	60,816,097		
Deferred Revenue (noncurrent)	875,000		2,119,134
Compensated Absences (noncurrent)	1,407,792		
Revenue/Mortgage Bonds Payable (noncurrent)		31,479,438	30,165,424
Liabilities under Split-Interest Agreements (noncurrent)		64,419	
Notes and Loans Payable (noncurrent)		1,180,031	
Total Noncurrent Liabilities	63,098,889	32,723,888	32,284,558
TO TAL LIABILITIES	79,545,670	39,627,897	33,258,990
NET ASSETS			
Invested in Capital Assets, net of related debt	61,245,873	709,656	300,017
Restricted for			
Nonexpendable		10,350,061	
Expendable	3,088,157	17,847,544	
Unrestricted	11,022,725	(201,084)	1,403,009
TO TAL NET ASSETS	\$75,356,755	\$28,706,177	\$1,703,026

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, 2008**

	<u>Component Unit</u>	<u>Component Unit</u>	
	<u>University of West Georgia</u>	<u>University of West Georgia Foundation, Inc.</u>	<u>UWG Real Estate Foundation, Inc.</u>
REVENUES			
Operating Revenues			
Student Tuition and Fees (net of allowance for doubtful accounts)	\$37,360,171	\$0	\$0
Less: Scholarship Allowances	(7,596,080)		
Gifts and Contributions		3,554,729	
Endowment Income (per spending plan)		810,951	
Grants and Contracts			
Federal	9,986,155		
State	560,552		
Other	1,308,130		
Sales and Services	394,268		
Rents and Royalties	22,644	523,522	90,000
Auxiliary Enterprises			
Residence Halls	9,301,004		
Bookstore	3,951,557		
Food Services	5,351,913		
Parking/Transportation	1,299,267		
Health Services	1,741,445		
Intercollegiate Athletics	2,831,354		
Other Organizations	547,163		
Interest and Dividend income		1,702,410	1,536,510
Other Operating Revenues	1,219,644	475,091	
Total Operating Revenues	<u>68,279,187</u>	<u>7,066,703</u>	<u>1,626,510</u>
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	26,557,060		
Staff	28,523,370	508,572	
Employee Benefits	16,185,043	131,396	
Other Personal Services	317,413		
Travel	1,037,847	5,129	
Scholarships and Fellowships	6,138,899		
Utilities	3,439,610		
Supplies and Other Services	26,037,631	844,755	133,328
Depreciation	7,071,490	94,653	
Other Operating Expense			71,000
Payments to or on behalf of University of West Georgia		1,727,291	
Total Operating Expenses	<u>115,308,363</u>	<u>3,311,796</u>	<u>204,328</u>
Operating Income (loss)	<u>(47,029,176)</u>	<u>3,754,907</u>	<u>1,422,182</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, 2008

	<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	48,576,377		
Gifts	1,531,698		
Investment Income (endowments, auxiliary and other)	1,142,250	457,931	30,963
Interest Expense (capital assets)	(2,934,028)	(1,791,389)	(1,416,336)
Other Nonoperating Revenues	(327,062)		
Net Nonoperating Revenues	<u>47,989,235</u>	<u>(1,333,458)</u>	<u>(1,385,373)</u>
Income before other revenues, expenses, gains, or loss	960,059	2,421,449	36,809
Capital Grants and Gifts			
State	3,108,908		
Additions to permanent endowments		198,726	
Total Other Revenues	<u>3,108,908</u>	<u>198,726</u>	<u>0</u>
Increase in Net Assets	4,068,967	2,620,175	36,809
NET ASSETS			
Net Assets-beginning of year, as originally reported	71,287,788	26,086,002	1,666,217
Prior Year Adjustments	0	0	0
Net Assets-beginning of year, restated	<u>71,287,788</u>	<u>26,086,002</u>	<u>1,666,217</u>
Net Assets-End of Year	<u>\$75,356,755</u>	<u>\$28,706,177</u>	<u>\$1,703,026</u>

Statement of Cash Flows

UNIVERSITY OF WEST GEORGIA STATEMENT OF CASH FLOWS For the Year Ended June 30, 2008

	<u>June 30, 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$30,976,062
Grants and Contracts (Exchange)	12,134,364
Sales and Services	394,268
Payments to Suppliers	(46,861,584)
Payments to Employees	(54,954,486)
Payments for Scholarships and Fellowships	(6,138,899)
Loans Issued to Students and Employees	(626,808)
Collection of Loans to Students and Employees	486,292
Auxiliary Enterprise Charges:	
Residence Halls	9,356,305
Bookstore	4,050,965
Food Services	5,156,436
Parking/Transportation	1,403,028
Health Services	1,767,440
Intercollegiate Athletics	2,956,329
Other Organizations	533,488
Other Receipts (payments)	1,042,173
Net Cash Provided (used) by Operating Activities	<u>(38,324,627)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	48,576,377
Agency Funds Transactions	9,542
Gifts and Grants Received for Other Than Capital Purposes	1,685,083
Net Cash Flows Provided by Non-capital Financing Activities	<u>50,271,002</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	3,108,908
Purchases of Capital Assets	(5,530,984)
Principal Paid on Capital Debt and Leases	(1,398,497)
Interest Paid on Capital Debt and Leases	(2,934,028)
Net Cash used by Capital and Related Financing Activities	<u>(6,754,601)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	675,445
Interest on Investments	1,142,250
Purchase of Investments	(944,007)
Net Cash Provided (used) by Investing Activities	<u>873,688</u>
Net Increase/Decrease in Cash	<u>6,065,462</u>
Cash and Cash Equivalents - Beginning of year	19,212,577
Cash and Cash Equivalents - End of Year	<u><u>\$25,278,039</u></u>

Statement of Cash Flows, Continued

**UNIVERSITY OF WEST GEORGIA
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008**

June 30, 2008

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

Operating Income (loss)	(\$47,029,176)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	7,071,490
Change in Assets and Liabilities:	
Receivables, net	(97,552)
Inventories	(58,657)
Prepaid Items	(535,796)
Notes Receivable, Net	(140,516)
Accounts Payable	1,220,475
Deferred Revenue	1,160,585
Other Liabilities	7,077
Compensated Absences	77,443
Net Cash Provided (used) by Operating Activities	<u><u>(\$38,324,627)</u></u>

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

University of West Georgia had no non-cash transactions during fiscal 2008.

UNIVERSITY OF WEST GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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 FY2008, 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 grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies and 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, 2008, 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 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 \$2,620,358 as of 7-1-2007. For FY2008, \$1,964,465 was earned in compensated absences and employees were paid \$1,887,022, for a net increase of \$77,443. The ending balance as of 6-30-2008 in accrued liability for compensated absences was \$2,697,801.

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, 2008</u>
Restricted - E&G and Other Organized Activities	\$869,671
Federal Loans	1,939,992
Institutional Loans	<u>278,494</u>
Total Restricted Expendable	<u><u>\$3,088,157</u></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, 2008</u>
R & R Reserve	\$9,381,066
Reserve for Encumbrances	6,686,515
Reserve for Inventory	129,803
Other Unrestricted	<u>(5,174,659)</u>
Total Unrestricted Net Assets	<u><u>\$11,022,725</u></u>

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

Income Taxes

University of West Georgia, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues

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

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

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

Scholarship Allowances

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

Note 2. 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, 2008, the carrying value of deposits was \$11,587,173 and the bank balance was \$14,492,615. Of the University's deposits, \$14,191,530 were uninsured. Of these uninsured deposits, \$14,191,440 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name and \$90 were uncollateralized.

B. Investments

At June 30, 2008, the carrying value of the University's investments was \$14,615,748, 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	\$8,075,521
Sub Total	<u>8,075,521</u>
Office of Treasury and Fiscal Services	
Georgia Fund 1	6,540,227
Sub Total	<u>6,540,227</u>
Total Investment Pools	<u><u>\$14,615,748</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 40 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 1.99 years. Of the University’s total investment of \$8,075,521 in the Short Term Fund, \$8,043,218 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, 2008:

	<u>June 30, 2008</u>
Student Tuition and Fees	\$598,031
Auxiliary Enterprises and Other Operating Activities	629,705
Federal Financial Assistance	187,389
Other	611,384
	<u>2,026,509</u>
Less Allowance for Doubtful Accounts	640,070
	<u>640,070</u>
Net Accounts Receivable	<u><u>\$1,386,439</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2008:

	<u>June 30, 2008</u>
Bookstore	\$842,553
Physical Plant	134,802
	<u>134,802</u>
Total	<u><u>\$977,355</u></u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2008. 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 provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2008 the allowance for uncollectible loans was approximately \$0.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2008:

	Beginning Balances 7/1/2007	Additions	Reductions	Ending Balance 6/30/2008
Capital Assets, Not Being Depreciated:				
Land	\$554,184	\$0	\$0	\$554,184
Construction Work-in-Progress	4,106,135	4,676,866	2,746,500	6,036,501
Total Capital Assets Not Being Depreciated	4,660,319	4,676,866	2,746,500	6,590,685
Capital Assets, Being Depreciated:				
Infrastructure	3,144,580			3,144,580
Building and Building Improvements	88,505,752	2,083,059	2,254,000	88,334,811
Facilities and Other Improvements	2,353,312			2,353,312
Equipment	17,008,531	1,520,307	2,216,164	16,312,674
Capital Leases	65,795,927			65,795,927
Library Collections	14,859,551	752,372	26,903	15,585,020
Capitalized Collections	13,516			13,516
Total Assets Being Depreciated	191,681,169	4,355,738	4,497,067	191,539,840
Less: Accumulated Depreciation				
Infrastructure	323,891	100,627		424,518
Buildings	42,471,710	2,840,096	1,798,504	43,513,302
Facilities and Other improvements	896,269	115,038		1,011,307
Equipment	12,135,020	1,259,190	2,191,214	11,202,996
Capital Leases	4,451,395	2,056,558		6,507,953
Library Collections	11,227,862	699,643	26,903	11,900,602
Capitalized Collections	8,373	338		8,711
Total Accumulated Depreciation	71,514,520	7,071,490	4,016,621	74,569,389
Total Capital Assets, Being Depreciated, Net	120,166,649	(2,715,752)	480,446	116,970,451
Capital Assets, net	<u>\$124,826,968</u>	<u>\$1,961,114</u>	<u>\$3,226,946</u>	<u>\$123,561,136</u>

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2008:

	<u>June 30, 2008</u>
Prepaid Tuition and Fees	\$4,568,345
Research	698,911
Other Deferred Revenue	1,948,685
Totals	<u><u>\$7,215,941</u></u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Current Portion
Leases					
Lease Obligations	\$63,713,760	\$0	\$1,398,497	\$62,315,263	\$1,499,166
Other Liabilities					
Compensated Absences	2,620,358	1,964,465	1,887,022	2,697,801	1,290,009
Total	<u>2,620,358</u>	<u>1,964,465</u>	<u>1,887,022</u>	<u>2,697,801</u>	<u>1,290,009</u>
Total Long Term Obligations	<u><u>\$66,334,118</u></u>	<u><u>\$1,964,465</u></u>	<u><u>\$3,285,519</u></u>	<u><u>\$65,013,064</u></u>	<u><u>\$2,789,175</u></u>

Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$3,993,595 as of June 30, 2008. Of this amount, institution projects account for \$1,879,021 and GSFIC projects are \$2,114,574. This amount is not reflected in the accompanying basic financial statements. The major institutional projects are: Row Hall elevators of \$754,200, chiller for Z6 of \$169,000 and Callaway building of \$116,034. The major GSFIC project is the Callaway addition and renovation of \$1,550,931.

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 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 2008 were \$4,821,751 of which \$2,934,028 represented interest and \$489,226 represented executory costs. Total principal paid on capital leases was \$1,398,497 for the fiscal year ended June 30, 2008. Interest rates range from 3.5 percent to 5 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2008:

Buildings	\$56,328,623
Equipment	<u>2,959,351</u>
Total Assets Held Under Capital Lease	<u><u>\$59,287,974</u></u>

Certain capital leases provide for renewal and/or purchase options.

Two separate capital leases for student residence halls are with the University of West Georgia Foundation, Inc. The University Suites lease has \$12,028,822 principal outstanding and the Arbor View Apartments lease has \$19,800,481 principal outstanding as of June 30, 2008.

The University Center is being leased from the UWG Real Estate Foundation, Inc, UWG Campus Center, LLC. The remaining principal balance on this lease is \$30,106,087 as of June 30, 2008.

University of West Georgia also has a capital lease for PBX equipment with an outstanding principal balance at June 30, 2008 in the amount of \$379,873.

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 2009–2013. 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, 2008, were as follows:

		Real Property and Equipment	
		Capital Leases	Operating Leases
Year Ending June 30:	Year		
2009	1	\$4,904,921	\$323,902
2010	2	4,762,307	245,653
2011	3	4,739,579	108,816
2012	4	4,787,435	46,238
2013	5	4,842,693	11,304
2014 through 2018	6-10	25,070,387	
2019 through 2023	11-15	26,594,701	
2024 through 2028	16-20	28,281,531	
2029 through 2033	21-25	16,723,828	
2034 through 2038	26-30	4,190,000	
Total minimum lease payments		<u>124,897,382</u>	<u>\$735,913</u>
Less: Interest		42,577,601	
Less: Executory costs (if paid)		<u>20,004,518</u>	
Principal Outstanding		<u>\$62,315,263</u>	

University of West Georgia's FY2008 expense for rental of real property and equipment under operating leases was \$293,330.

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 2008, 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>
2008	100%	\$2,534,743
2007	100%	\$2,372,082
2006	100%	\$2,242,017

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, 2008, for employees covered by ERS was \$74,151. The University's total payroll for all employees was \$55,080,430.

For the year ended June 30, 2008 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, 2008, 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.

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>
2008	100%	\$7,856
2007	100%	\$8,230
2006	100%	\$8,229

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2008 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 2008, the employer contribution was 8.13% for the first six months and 8.15% 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 \$1,776,144 (8.13% or 8.15%) and \$1,091,061 (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 (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 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 2008 amounted to \$68,086 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, a fully insured HSA/High Deductible PPO healthcare plan and 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, 2008.

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.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For 2007 and 2008 plan years, the employer rate was approximately 75% of the total health insurance cost for eligible retirees and the retiree rate was approximately 25%.

As of June 30, 2008, there were 399 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2008, University of West Georgia recognized as incurred \$1,725,419 of expenditures, which was net of \$563,376 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2008 are shown below:

Natural Classification	Functional Classification FY2008					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$25,910,858	\$261,698	\$0	\$319,453	\$18,390	\$31,001
Staff	4,176,681	272,653	137,460	6,663,884	3,831,925	5,307,927
Benefits	7,304,883	80,164	37,521	1,792,730	898,668	3,591,473
Personal Services						316,100
Travel	494,744	27,338	4,147	212,311	110,803	76,005
Scholarships and Fellowships	96,156	44,800			9,545	
Utilities	119,481	381	94	56,055	28,727	34,980
Supplies and Others Services	2,780,957	203,570	7,793	3,729,485	1,902,242	1,588,451
Depreciation	1,019,080	111,069		1,325,871	900,943	174,793
Total Expenses	\$41,902,840	\$1,001,673	\$187,015	\$14,099,789	\$7,701,243	\$11,120,730

Natural Classification	Functional Classification FY2008			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	\$0	\$0	\$15,660	\$26,557,060
Staff	4,431,388		3,701,452	28,523,370
Benefits	1,489,856		989,748	16,185,043
Personal Services	(2,427,710)		2,429,023	317,413
Travel	12,200		100,299	1,037,847
Scholarships and Fellowships		4,916,218	1,072,180	6,138,899
Utilities	3,296,193		(96,301)	3,439,610
Supplies and Others Services	2,655,293		13,169,840	26,037,631
Depreciation	845,960		2,693,774	7,071,490
Total Expenses	\$10,303,180	\$4,916,218	\$24,075,675	\$115,308,363

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, 2007 through December 31, 2007. The due from amount on the Foundation's Statement of Net Assets does not agree with the University's statement due to the difference in fiscal year ends.

Investments carried as Net Investment in Capital Leases and valued at \$32.2 million and the associated bond debt of \$32.3 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, 2007, the Foundation distributed \$1,727,291 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 \$22.9 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 accounts.

The University of West Georgia Foundation, Inc. investments was comprised of the following amounts at December 31, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Cash held by investment organization	\$4,828,077	\$4,828,077
Certificates of Deposit	1,325,581	1,325,581
Government and Agency Securities	4,489,325	4,590,574
Equity Securities and Options	10,597,237	11,818,517
Mutual Funds	<u>286,490</u>	<u>288,204</u>
 Total Investments	 <u><u>\$21,526,710</u></u>	 <u><u>\$22,850,953</u></u>

Capital Assets for Component Units:

The University of West Georgia Foundation, Inc. holds the following Capital Assets as of December 31, 2007:

	<u>Dec. 31, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$2,320,036
Construction in Progress	<u>604,639</u>
Total Capital Assets not being Depreciated	2,924,675
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>299,735</u>
Total Capital Assets being Depreciated, Net	<u>3,486,399</u>
Capital Assets, Net	<u><u>\$6,411,074</u></u>

Long-term Liabilities for Component Units:

Long-term liability activity for the Foundation for the year ended December 31, 2007 was as follows:

	Beginning Balance Jan. 1, 2007	Additions	Reductions	Ending Balance Dec. 31, 2007	Amounts due within One Year
Liabilities under split interest agreement	\$56,377	\$17,976	\$9,934	\$64,419	\$0
Notes and Loans Payable	6,095,000	1,488,583	1,100,000	6,483,583	5,303,552
Revenue/Mortgage Bonds Payable	<u>33,189,181</u>	<u> </u>	<u>839,743</u>	<u>32,349,438</u>	<u>870,000</u>
Total Long Term Liabilities	<u><u>\$39,340,558</u></u>	<u><u>\$1,506,559</u></u>	<u><u>\$1,949,677</u></u>	<u><u>\$38,897,440</u></u>	<u><u>\$6,173,552</u></u>

Notes and Loans Payable:

During 2007, the Foundation renewed its mortgage collateralized by an apartment complex purchased by the Foundation after making a principal payment of \$1,100,000. The principal amount of the loan was \$4,600,000.

The mortgage note payable is payable in monthly installments of interest computed at the London Interbank Rate (LIBOR) plus 1.20% per annum adjusted monthly as of the first business day of each month. At December 31, 2007 the rate was 6.42%. Principal is due at September 29, 2008.

In October 2007, The Foundation obtained a mortgage collateralized by real estate in order to construct a parking lot. The principal balance at December 31, 2007 was \$1,488,583.

The mortgage note payable is payable in six monthly installments of interest and fifty four payments of principal and interest based upon a twenty year amortization schedule. The final payment shall include all principal and interest due. Interest is computed at the rate of London Interbank rate (LIBOR) plus 1.00% per annum adjusted monthly as of the first business day of each month. At December 31, 2007 the rate was 6.22%. Principal is due October 19, 2012. The debt payment schedule below reflects an accelerated payment schedule by the Foundation.

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

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending December 31:				
2008	1	\$5,303,552	\$288,816	\$5,592,368
2009	2	482,975	52,115	535,090
2010	3	509,833	25,258	535,091
2011	4	187,223	2,245	189,468
		<u>\$6,483,583</u>	<u>\$368,434</u>	<u>\$6,852,017</u>

Revenue Bonds Payable:

Student Housing Bonds are 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%. The balance of the obligation as of 12/31/2007 is \$18,900,000.

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 rate of 3.4%. The balance of the obligation as of 12/31/2007 is \$0.

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%. The balance of the obligation as of 12/31/2007 is \$13,130,000.

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

Year ending December 31:		Bonds Payable		Total
		Principal	Interest	
2008	1	\$870,000	\$1,391,369	\$2,261,369
2009	2	910,000	1,363,344	2,273,344
2010	3	1,000,000	1,328,819	2,328,819
2011	4	1,040,000	1,294,569	2,334,569
2012	5	1,075,000	1,253,494	2,328,494
2013 through 2017	6-10	6,025,000	5,598,937	11,623,937
2018 through 2022	11-15	7,430,000	4,232,731	11,662,731
2023 through 2027	16-20	9,320,000	2,342,683	11,662,683
2028 through 2032	21-25	4,360,000	303,107	4,663,107
		<u>32,030,000</u>	<u>19,109,050</u>	<u>51,139,050</u>
Bond Premium/(Discount)		<u>319,438</u>		<u>319,438</u>
		<u>\$32,349,438</u>	<u>\$19,109,050</u>	<u>\$51,458,488</u>

UWG Real Estate Foundation, Inc.

UWG Real Estate Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of 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 Net Investment in Capital Leases and valued at \$30.1 million and the associated long-term bond debt of \$30.6 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.

Capital Assets for Component Units:

The UWG Real Estate Foundation, Inc. holds \$17,700 in Construction in Progress as of June 30, 2008.

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.

Series 2004 bonds were issued on December 20, 2004 in the amount of \$30,720,000 to fund the construction of Campus Center. The bonds bear interest rates ranging from 3.0% to 5.25%. The balance of the obligation as of 06/30/2008 is \$30,360,000.

Changes in long-term liabilities for UWG Real Estate Foundation, Inc. for the fiscal year ended June 30, 2008 are shown below:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$30,922,900	\$0	\$367,476	\$30,555,424	\$390,000
Total Long Term Liabilities	\$30,922,900	\$0	\$367,476	\$30,555,424	\$390,000

Debt Service Obligations

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

Year ending June 30:		Bonds Payable		
		Principal	Interest	Total
2009	1	\$390,000	\$1,410,383	\$1,800,383
2010	2	425,000	1,395,545	1,820,545
2011	3	465,000	1,378,326	1,843,326
2012	4	505,000	1,360,770	1,865,770
2013	5	545,000	1,342,395	1,887,395
2014 through 2018	6-10	3,425,000	6,360,389	9,785,389
2019 through 2023	11-15	4,955,000	5,493,388	10,448,388
2024 through 2028	16-20	7,210,000	3,954,888	11,164,888
2029 through 2033	21-25	8,765,000	1,928,620	10,693,620
2034 through 2038	26-30	3,675,000	174,207	3,849,207
		30,360,000	24,798,911	55,158,911
Bond Premium/(Discount)		195,424		195,424
		\$30,555,424	\$24,798,911	\$55,354,335