

# **NORTH GEORGIA COLLEGE & STATE UNIVERSITY**

## **Financial Report**

**For the Year Ended  
June 30, 2004**

**North Georgia College & State University**

**Dahlonega, Georgia**

**President  
Nathaniel Hansford**

**Vice President for Business and Finance  
Frank J. (Mac) McConnell**

NORTH GEORGIA COLLEGE & STATE UNIVERSITY  
ANNUAL FINANCIAL REPORT  
FY 2004

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# NORTH GEORGIA COLLEGE & STATE UNIVERSITY

## *Management's Discussion and Analysis*

### *Introduction*

North Georgia College & State University is one of the 34 institutions of the University System of Georgia. The University, located in Dahlonega, Georgia, was founded in 1873 and is known for its academic excellence and leadership development programs. The University offers baccalaureate and masters degrees in a wide variety of academic disciplines as well as the education specialist degree in teacher leadership. This range of educational opportunities attracts a highly qualified faculty and a student body of more than 3,500 students each year. The institution continues to grow as shown by the comparison numbers that represent full time students and faculty.

	<u>Faculty</u>	<u>Students</u>
FY2004	190	3,900
FY2003	181	3,467
FY2002	173	3,240

### *Overview of the Financial Statements and Financial Analysis*

North Georgia College & State University is proud to present its financial statements for fiscal year 2004. 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 2003 and FY 2004.

### *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 North Georgia College & State University. 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, 2004</u>	<u>June 30, 2003</u>
<b>Assets:</b>		
Current Assets	\$12,068,300.83	\$11,156,214.11
Capital Assets, net	46,266,626.53	46,315,978.89
Other Assets	2,693,583.93	2,653,980.36
<b>Total Assets</b>	<u>61,028,511.29</u>	<u>60,126,173.36</u>
<b>Liabilities:</b>		
Current Liabilities	4,416,479.45	3,818,604.17
Noncurrent Liabilities	494,910.00	391,866.31
<b>Total Liabilities</b>	<u>4,911,389.45</u>	<u>4,210,470.48</u>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt	46,266,626.53	43,835,756.06
Restricted - nonexpendable	2,620,088.26	2,536,701.39
Restricted - expendable	1,441,158.52	17,162,174.68
Capital Projects		285,096.94
Unrestricted	5,789,248.53	(7,904,026.19)
<b>Total Net Assets</b>	<u>\$56,117,121.84</u>	<u>\$55,915,702.88</u>

The total assets of the institution increased by \$902,337.93. The consumption of assets follows the institutional philosophy to use available resources to improve all areas of the institution to better serve our instruction, research and public service missions.

The total liabilities for the year increased by \$700,918.97. The combination of the increase in total assets of \$902,337.93 and the increase in total liabilities of \$700,918.97 yields an increase in total net assets of \$201,418.96.

**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



**Revenue by Source**  
**For the Years Ended June 30, 2004 and June 30, 2003**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
<b>Operating Revenue</b>		
Tuition and Fees	\$10,218,648.97	\$8,528,286.12
Federal Appropriations		
Grants and Contracts	2,097,524.37	3,245,697.35
Sales and Services of Educational Departments	345,922.75	417,372.27
Auxiliary	9,842,976.87	8,558,922.72
Other	2,460,696.54	891,691.80
<b>Total Operating Revenue</b>	<u>24,965,769.50</u>	<u>21,641,970.26</u>
<b>Nonoperating Revenue</b>		
State Appropriations	18,899,966.64	19,409,373.00
Grants and Contracts	1,567,432.62	
Gifts		
Investment Income	226,405.39	381,335.14
Other	(11,372.58)	(1,690,915.66)
<b>Total Nonoperating Revenue</b>	<u>20,682,432.07</u>	<u>18,099,792.48</u>
<b>Capital Gifts and Grants</b>		
State		305,593.29
Other Capital Gifts and Grants		
<b>Total Capital Gifts and Grants</b>	<u>0.00</u>	<u>305,593.29</u>
<b>Total Revenues</b>	<u>\$45,648,201.57</u>	<u>\$40,047,356.03</u>

**Expenses (By Functional Classification)**  
**For the Years Ended June 30, 2004 and June 30, 2003**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
<b>Operating Expenses</b>		
Instruction	\$18,775,587.72	\$17,708,246.31
Research		
Public Service		
Academic Support	3,470,276.95	3,287,555.41
Student Services	3,033,864.33	2,865,028.10
Institutional Support	4,438,183.07	4,491,821.43
Plant Operations and Maintenance	5,263,659.90	10,127,865.12
Scholarships and Fellowships	1,028,802.35	890,556.72
Auxiliary Enterprises	9,415,214.00	947,389.21
Unallocated Expenses		
Patient Care (MCG only)		
<b>Total Operating Expenses</b>	<u>45,425,588.32</u>	<u>40,318,462.30</u>
<b>Nonoperating Expenses</b>		
Interest Expense (Capital Assets)	<u>0.00</u>	<u>0.00</u>
<b>Total Expenses</b>	<u>\$45,425,588.32</u>	<u>\$40,318,462.30</u>

Nongovernmental grants and contracts increased in the amount of approximately \$376,152.32. The compensation and employee benefits category increased by approximately \$1,018,752.12. Utilities increased by approximately \$198,150.80 during the past year.

Under non-operating revenues (expenses) state appropriations decreased by approximately (\$509,406.36). The reduction of state appropriations system-wide, due to a sluggish economy, has created a challenge for all institutions of the University System of Georgia and, thus, for North Georgia College & State University. We are hopeful that the economy is now on an upward trend.

***Statement of Cash Flows***

The final statement presented by the North Georgia College & State University 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, 2004 and 2003, Condensed

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cash Provided (used) By:		
Operating Activities	(\$17,633,290.29)	(\$18,177,516.54)
Non-capital Financing Activities	20,660,577.49	19,786,949.02
Capital and Related Financing Activities	(2,591,553.33)	(2,258,867.48)
Investing Activities	169,506.67	657,773.81
Net Change in Cash	<u>605,240.54</u>	<u>8,338.81</u>
Cash, Beginning of Year.	<u>8,711,891.08</u>	<u>8,703,552.27</u>
Cash, End of Year	<u>\$9,317,131.62</u>	<u>\$8,711,891.08</u>

### *Capital Assets*

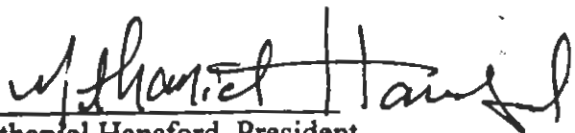
For additional information concerning Capital Assets, see Notes 1, 6, 8, and 9 in the notes to the financial statements.

### *Component Units*

In compliance with GASB Statement No. 39, North Georgia College & State University has included the financial statements and notes for all required component units for FY2004.

### *Economic Outlook*

The University's overall financial position is strong. Continued depressed economic conditions and budget reductions will negatively impact the University. We anticipate the current fiscal year to be similar to last and will maintain a close watch over resources to assure compliance with our mission to create a more educated Georgia.



Nathaniel Hansford, President  
North Georgia College & State University

**Statement of Net Assets**

North Georgia College & State University  
**STATEMENT OF NET ASSETS**  
 June 30, 2004

	<u>June 30, 2004</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$9,317,131.62
Short-term Investments	49,078.65
Accounts Receivable, net	
Receivables - Federal Financial Assistance	50,879.93
Receivables - State General Appropriations Allotment	
Receivables - Other	773,151.37
Inventories	1,175,164.50
Other Assets	702,894.76
<b>Total Current Assets</b>	<u>12,068,300.83</u>
<b>Noncurrent Assets</b>	
Noncurrent Cash	
Investments	1,613,615.96
Notes Receivable, net	1,079,967.97
Capital Assets, net	46,266,626.53
<b>Total Noncurrent Assets</b>	<u>48,960,210.46</u>
<b>TOTAL ASSETS</b>	<u>61,028,511.29</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	648,766.17
Deposits	565,738.41
Deferred Revenue	2,266,337.18
Other Liabilities	(24,560.89)
Deposits Held for Other Organizations	273,635.87
Current Portion of Long-term Debt	
Compensated Absences (current portion)	686,562.71
<b>Total Current Liabilities</b>	<u>4,416,479.45</u>
<b>Noncurrent Liabilities</b>	
Compensated Absences	494,910.00
Long-term Liabilities	
<b>Total Noncurrent Liabilities</b>	<u>494,910.00</u>
<b>TOTAL LIABILITIES</b>	<u>4,911,389.45</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	46,266,626.53
Restricted for	
Nonexpendable	2,620,088.26
Expendable	1,441,158.52
Capital Projects	
Unrestricted	5,789,248.53
<b>TOTAL NET ASSETS</b>	<u>\$56,117,121.84</u>

# North Georgia College & State University Foundation Balance Sheet

## North Georgia College & State University Foundation Balance Sheet (FASB)

STATEMENT of REVENUE and EXPENSES  
June 30, 2004

ASSETS	
<b>Assets</b>	
Cash and Cash Equivalents	\$1,704,735.00
Notes and Mortgages Receivable	132,957.00
Endowment Investments	14,079,379.00
Pledges Receivable, net	160,525.00
Investments in Real Estate	2,755,679.00
Capital Assets, net	9,121,410.00
<b>Total Assets</b>	<b>27,954,685.00</b>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	3,138,567.00
Deposits	109,500.00
Deferred Rental Income	23,717.00
Long-Term Debt	10,895,000.00
Liabilities under Split-Interest Agreements	30,957.00
<b>Total Liabilities</b>	<b>14,197,741.00</b>
<b>Net Assets</b>	
Unrestricted	(96,400.00)
Temporarily Restricted	2,879,140.00
Permanently Restricted	10,974,204.00
<b>Total Net Assets</b>	<b>\$13,756,944.00</b>

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

**North Georgia College & State University**  
**STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS**  
**for the Year Ended June 30, 2004**

	<u>June 30, 2004</u>
<b>REVENUES</b>	
<b>Operating Revenues</b>	
Student Tuition and Fees	\$11,485,600.06
Less: Sponsored and Un-sponsored Scholarships	1,216,862.42
Less: Uncollectible Accounts	50,088.67
Federal Appropriations	
Grants and Contracts	
Federal	2,097,524.37
State	
Other	
Sales and Services of Educational Departments	345,922.75
Auxiliary Enterprises	
Residence Halls	2,391,999.17
Bookstore	3,040,486.49
Food Services	2,252,052.76
Parking/Transportation	287,111.50
Health Services	524,290.96
Intercollegiate Athletics	1,075,769.09
Other Organizations	271,266.90
Other Operating Revenues	2,460,696.54
<b>Total Operating Revenues</b>	<u>24,965,769.50</u>
<b>EXPENSES</b>	
<b>Operating Expenses</b>	
<b>Salaries:</b>	
Faculty	11,406,832.29
Staff	10,526,846.56
<b>Benefits</b>	5,975,375.00
<b>Other Personal Services</b>	
<b>Travel</b>	346,709.50
<b>Scholarships and Fellowships</b>	1,389,665.37
<b>Utilities</b>	1,776,689.20
<b>Supplies and Other Services</b>	11,408,555.41
<b>Depreciation</b>	2,594,914.99
<b>Total Operating Expenses</b>	<u>45,425,588.32</u>
<b>Operating Income (loss)</b>	<u>(20,459,818.82)</u>

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

**June 30, 2004**

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	18,899,966.64
Grants and Contracts	
Federal	459,487.82
State	117,724.18
Other	990,220.62
Gifts	
Investment Income (endowments, auxiliary and other)	226,405.39
Internal Expenses (capital assets)	
Other Nonoperating Revenues	(11,372.58)
Total Nonoperating Revenues	<u>20,682,432.07</u>
Gain on Sale of Assets before other revenues, expenses, gains, or loss	<u>222,613.25</u>
Capital Grants and Gifts	
Federal	
State	
Other	
Total Other Revenues	<u>0.00</u>
Increase in Net Assets	<u>222,613.25</u>

**NET ASSETS**

Net Assets—beginning of year, as originally reported	55,915,702.88
Prior Year Adjustments	(21,194.29)
Net Assets—beginning of year, restated	<u>55,894,508.59</u>
Net Assets—End of Year	<u>\$56,117,121.84</u>

Research  
 Institutional Support  
 Academic Support  
 Student Services  
 Student Financial Aid  
 Fundraising  
 Total Expenses  
 Change in Net Assets

Net Assets  
 Beginning Net Assets  
 Ending Net Assets

# North Georgia College & State University Foundation Statement of Activities

## North Georgia College & State University Foundation Statement of Activities (Functional Display) (FASB) For the Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Gifts	\$416,860.00	\$532,271.00	\$128,492.00	\$1,077,623.00
Investment Income	145,613.00	1,186,629.00		1,332,242.00
Net Realized and Unrealized Gain on Securities				0.00
Gain on Sale of Real Estate				0.00
Rental Income	1,410,653.00			1,410,653.00
Other Income	600,355.00	187,756.00		788,111.00
Reclassifications				0.00
Program	1,194,889.00	(1,194,889.00)		0.00
Equipment Acquisition				0.00
Time				0.00
<b>Total Revenues</b>	<u>3,768,370.00</u>	<u>711,767.00</u>	<u>128,492.00</u>	<u>4,608,629.00</u>
<b>Expenses</b>				
Instruction	519,757.00			519,757.00
Research				0.00
Institutional Support	168,913.00			168,913.00
Academic Support	325,652.00			325,652.00
Student Services	1,448,712.00			1,448,712.00
Student Financial Aid	559,079.00			559,079.00
Fundraising	185,822.00			185,822.00
<b>Total Expenses</b>	<u>3,207,935.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,207,935.00</u>
<b>Change in Net Assets</b>	560,435.00	711,767.00	128,492.00	1,400,694.00
<b>Net Assets</b>				
<b>Beginning Net Assets</b>	(656,835.00)	2,167,373.00	10,845,712.00	12,356,250.00
<b>Ending Net Assets</b>	<u>(\$96,400.00)</u>	<u>\$2,879,140.00</u>	<u>\$10,974,204.00</u>	<u>\$13,756,944.00</u>

## Statement of Cash Flows

North Georgia College & State University  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2004

	<u>June 30, 2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$11,676,944.06
Federal Appropriations	
Grants and Contracts (Exchange)	1,816,433.14
Sales and Services of Educational Departments	354,440.21
Payments to Suppliers	(19,429,774.50)
Payments to Employees	(21,792,773.77)
Payments for Scholarships and Fellowships	(2,606,527.79)
Loans Issued to Students and Employees	(223,785.51)
Collection of Loans to Students and Employees	276,028.84
Auxiliary Enterprise Charges:	
Residence Halls	2,438,351.82
Bookstore	3,037,687.12
Food Services	2,253,863.84
Parking/Transportation	287,111.50
Health Services	530,028.43
Intercollegiate Athletics	1,100,700.12
Other Organizations	282,146.66
Other Receipts (payments)	2,365,835.54
Net Cash Provided (used) by Operating Activities	<u>(17,633,290.29)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	18,899,966.64
Agency Funds Transactions	193,178.23
Gifts and Grants Received for Other Than Capital Purposes	1,567,432.62
Net Cash Flows Provided by Non-capital Financing Activities	<u>20,660,577.49</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants and Gifts Received	
Proceeds from sale of Capital Assets	8,174.78
Purchases of Capital Assets	(2,599,728.11)
Principal Paid on Capital Debt and Leases	
Interest Paid on Capital Debt and Leases	
Net Cash used by Capital and Related Financing Activities	<u>(2,591,553.33)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	
Interest on Investments	169,506.67
Purchase of Investments	
Net Cash Provided (used) by Investing Activities	<u>169,506.67</u>
Net Increase/Decrease in Cash	<u>605,240.54</u>
Cash and Cash Equivalents - Beginning of year	8,711,891.08
Cash and Cash Equivalents - End of Year	<u>\$9,317,131.62</u>

## ***Statement of Cash Flows, Continued***

**June 30, 2004**

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

Operating Income (loss)	(\$20,459,818.82)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	2,594,914.99
Change in Assets and Liabilities:	
Receivables, net	(199,453.05)
Inventories	(45,565.36)
Other Assets	(65,345.87)
Accounts Payable	206,491.41
Deferred Revenue	192,438.28
Other Liabilities	25,605.28
Compensated Absences	117,442.85
	<hr/>
Net Cash Provided (used) by Operating Activities	<u>(\$17,633,290.29)</u>

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North Georgia College and State University had no non-cash investing, non-capital financing, or capital and related financing transactions for FY 2004.

**NORTH GEORGIA COLLEGE & STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**Nature of Operations**

North Georgia College & State University 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**

North Georgia College & State University is one of thirty-four (34) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of North Georgia College & State University 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. North Georgia College & State University does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, North Georgia College & State University 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 North Georgia College & State University) is required to implement GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units - an amendment of Statement No. 14*, for 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 (Balance Sheet and Statement of Activities) are reported discretely in the University's report. For FY2004, North Georgia College & State University is reporting the activity for the North Georgia College & State University Foundation.

See Note 15. 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 was required to implement

GASB Statement No. 34 as of and for the year ended June 30, 2002. As a component 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 statement presentation required by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

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

### **Basis of Accounting**

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

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

### **Cash and Cash Equivalents**

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

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months. This would include certificates of deposits or other time restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

### **Investments**

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, and the Board of Regents Total Return Fund are included under Investments.

**Accounts Receivable**

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

**Inventories**

Consumable supplies are 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 \$5,000.00 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment.

To obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

Effective July 1, 2001, the GSFIC retains construction in progress on their books throughout the construction period and transfers the entire project to North Georgia College & State University when complete.

**Deposits**

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

**Deferred Revenues**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred

revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. North Georgia College & State University had accrued liability for compensated absences in the amount of \$1,064,029.86 as of 7-1-2003. For FY2004, \$805,049.95 was earned in compensated absences and employees were paid \$687,607.10, for a net increase of \$117,442.85. The ending balance as of 6-30-2004 in accrued liability for compensated absences was \$1,181,472.71.

### **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 above.

*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, 2004</u>
Restricted - E&G and Other Organized Activities	\$48,430.83
Federal Loans	736,289.27
Institutional Loans	656,438.42
Term Endowments	
Quasi-Endowments	
Total Restricted Expendable	<u>\$1,441,158.52</u>

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

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

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

	<u>June 30, 2004</u>
R & R Reserve	\$7,535,853.69
Reserve for Encumbrances	(138,822.11)
Reserve for Inventory	58,100.00
Other Unrestricted	(1,665,883.05)
Total Unrestricted Net Assets	<u>\$5,789,248.53</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

North Georgia College & State University, 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.

### **Sponsored and Unsponsored Scholarships**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of sponsored and unsponsored scholarships in the Statement of Revenues, Expenses, and Changes in Net Assets. Sponsored and unsponsored scholarships 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 sponsored and unsponsored scholarships.

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

**State of Georgia Collateralization Statutes and Policies**

Funds belonging to the State of Georgia (and thus North Georgia College & State 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, bill, certificates of indebtedness, notes, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, certificates of indebtedness, notes, 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, or 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.

As authorized in the Official Code of Georgia Annotated Section 50-17-53, the State Depository Board has adopted policies that allow agencies of the State of Georgia (and thus North Georgia College & State University), the option of exempting demand deposits from the collateral requirements.

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.

**Categorization of Deposits**

The University's cash deposits are categorized by risk as follows:

- Category 1 - Amounts covered by depository insurance or collateralized with securities (at fair value) held by the University or by its agent in the University's name.
- Category 2 - Amounts collateralized with securities (at fair value) held by the pledging financial institution's trust department or agent in the University's name.
- Category 3 - Amounts collateralized with securities (at fair value) held by the pledging financial institution, or by its trust department or agent but not in the University's name, and amounts uncollateralized.

**Cash Deposits as of June 30, 2004**

	<u>Carrying Amount</u>	<u>Bank Balances</u>	<u>Risk Categories</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
<b>Cash Deposits</b>	\$9,005,100.68	\$8,721,183.26	\$283,917.42	\$0.00	\$8,721,183.26
<b>Investment Portfolio Accounts</b>					
<b>Total Cash Deposits</b>	<u>\$9,005,100.68</u>	<u>\$8,721,183.26</u>	<u>\$283,917.42</u>	<u>\$0.00</u>	<u>\$8,721,183.26</u>

## Categorization of Investments

The University's investments are categorized as to credit risk within the three categories described below:

- Category 1 - Insured or registered, or securities held by the University or its agent in the University's name
- Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the University's name.
- Category 3 - Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the University's name.

At June 30, 2004, the University's investments consisted of the following:

Type of Investments	Risk Categories			Carrying Amount
	1	2	3	
Common Stock	\$543,141.21	\$0.00	\$0.00	\$543,141.21
Corporate Bonds	5,116.91			5,116.91
U.S. Government Securities and Corporate Obligations	1,065,357.84			1,065,357.84
<b>Totals</b>	<b>\$1,613,615.96</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,613,615.96</b>

### Investments Not Subject to Categorizations:

Board of Regents	
Short-Term Fund	
Legal Fund	
Balanced Income Fund	
Total Return Fund	
Investment Portfolio Accounts	
Mutual Funds	
Real Estate	
State Investment Pool	312,030.94
Short-Term Investments	49,078.65
<b>Total Investments</b>	<b>\$1,974,725.55</b>

Funds invested in an investment pool managed by another governmental entity are not required to be categorized since the University did not own any specific, identifiable investment securities of the pool.

**Note 3. Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2004.

	<u>June 30, 2004</u>
Student Tuition and Fees	\$300,520.39
Auxiliary Enterprises and Other Operating Activities	132,626.99
Federal Financial Assistance	50,879.93
State General Appropriations Allotment	
Other	355,518.52
	<u>839,545.83</u>
Less Allowance for Doubtful Accounts	<u>15,514.53</u>
Net Accounts Receivable	<u>\$824,031.30</u>

**Note 4. Inventories**

Inventories consisted of the following at June 30, 2004.

	<u>June 30, 2004</u>
Central Stores	\$45,618.73
Bookstore	1,126,489.12
Print Services	3,056.65
Other	
Total	<u>\$1,175,164.50</u>

**Note 5. Notes/Loans Receivable**

Notes/Loans receivable primarily consist of student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2004 and 2003. 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, 2004 the allowance for uncollectible loans was approximately \$15,514.53.

**Note 6. Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2004:

	<b>Beginning Balances 7/1/2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2004</b>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$1,179,845.43	\$0.00	\$0.00	\$1,179,845.43
Construction Work-in-Progress	1,924,378.50	2,099,960.84	3,023,483.17	1,000,856.17
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,104,223.93</b>	<b>2,099,960.84</b>	<b>3,023,483.17</b>	<b>2,180,701.60</b>
<b>Capital Assets, Being Depreciated</b>				
Infrastructure	2,574,194.00			2,574,194.00
Building and Building Improvements	55,551,199.95	2,853,757.57		58,404,957.52
Facilities and Other Improvements	3,098,430.00		40,000.00	3,058,430.00
Equipment	4,280,801.03	310,880.43	324,957.61	4,266,723.85
Capital Leases				0.00
Library Collections	3,204,199.00	400,936.88	8,245.00	3,596,890.88
Capitalized Collections				0.00
<b>Total Assets Being Depreciated</b>	<b>68,708,823.98</b>	<b>3,565,574.88</b>	<b>373,202.61</b>	<b>71,901,196.25</b>
<b>Less: Accumulated Depreciation</b>				
Infrastructure	1,977,401.92	139,924.60	13,992.46	2,103,334.06
Buildings	16,703,033.41	1,889,935.77	188,993.58	18,403,975.60
Facilities and Other improvements	1,566,386.47	170,229.87	52,122.99	1,684,493.35
Equipment	2,766,892.22	492,563.51	245,857.42	3,013,598.31
Capital Leases				0.00
Library Collections	2,483,355.00	134,760.00	8,245.00	2,609,870.00
Capitalized Collections				0.00
<b>Total Accumulated Depreciation</b>	<b>25,497,069.02</b>	<b>2,827,413.75</b>	<b>509,211.45</b>	<b>27,815,271.32</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>43,211,754.96</b>	<b>738,161.13</b>	<b>(136,008.84)</b>	<b>44,085,924.93</b>
<b>Capital Assets, net</b>	<b>\$46,315,978.89</b>	<b>\$2,838,121.97</b>	<b>\$2,887,474.33</b>	<b>\$46,266,626.53</b>

**Note 7. Deferred Revenue**

Deferred revenue consisted of the following at June 30, 2004.

	<u>June 30, 2004</u>
Prepaid Tuition and Fees	\$1,981,383.00
Research	
Other Deferred Revenue	<u>284,954.18</u>
Totals	<u>\$2,266,337.18</u>

**Note 8. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Current Portion
<b>Leases</b>					
Lease Obligations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Other Liabilities</b>					
Compensated Absences	1,064,029.86	805,049.95	687,607.10	1,181,472.71	686,562.71
Other Long Term Liabilities				0.00	
Total	<u>1,064,029.86</u>	<u>805,049.95</u>	<u>687,607.10</u>	<u>1,181,472.71</u>	<u>686,562.71</u>
<b>Total Long Term Obligations</b>	<u>\$1,064,029.86</u>	<u>\$805,049.95</u>	<u>\$687,607.10</u>	<u>\$1,181,472.71</u>	<u>\$686,562.71</u>

**Note 9. Lease Obligations**

North Georgia College & State University had no capital or operating lease agreements as of June 30, 2004.

## **Note 10. Retirement Plans**

### **Teachers Retirement System of Georgia**

#### **Plan Description**

North Georgia College & State University 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 Georgia Department of Audits and Accounts.

#### **Funding Policy**

Employees of North Georgia College & State University who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. North Georgia College & State University 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 2004, the employer contribution rate was 9.24% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2004	100%	\$1,230,493.88
2003	100%	\$1,231,911.49
2002	100%	\$1,265,154.15

### **Employees' Retirement System of Georgia**

#### **Plan Description**

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

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

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 65. If 10 years of service is completed and age

60 is reached, the member may retire with a reduced benefit. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension at reduced rates to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

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

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

### **Funding Policy**

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The University's payroll for the year ended June 30, 2004, for employees covered by ERS was \$116,685.10. The University's total payroll for all employees was \$21,933,678.85.

Under the old plan, member contributions consist of 7.41% of annual compensation. Of these member contributions, the employee pays the first 1.5% and the University pays the remainder on behalf of the employee. Under the new plan, member contributions consist solely of 1.5% of annual compensation paid by employee. The University also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation. For the year ended June 30, 2004, the ERS employer contribution rate for the University amount to 7.16% 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 2004 amounted to \$13,944.42, of which \$8,058.10 was made by the University and \$5,886.32 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, 2004, 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 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**

North Georgia College & State University 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 2004, the employer contribution was 10.03% 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.

North Georgia College & State University and the covered employees made the required contributions of \$626,597.88 (10.03%) and \$312,363.20 (5%), respectively.

## **Georgia Defined Contribution Plan**

### **Plan Description**

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

### **Benefits**

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

## **Contributions**

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

Total contributions made by employees during fiscal year 2004 amounted to \$56,173.94 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

## ***Note 11. 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. North Georgia College & State University and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000.00 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, two fully insured HMO healthcare plan options are also offered to System employees.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. North Georgia College & State University, 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 12. 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 North Georgia College & State University expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against North Georgia College & State University (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, 2004.

***Note 13. 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, 2004, there were 185 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2004, North Georgia College & State University recognized as incurred \$1,011,980.25 of expenditures, which was net of \$241,840.18 of participant contributions.

**Note 14. Natural Classifications with Functional Classifications**

The University's operating expenses by functional classification for FY2004 are shown below:

Statement of Operating Expenses - Natural vs Functional Classifications  
For the Fiscal Year Ended June 30, 2004

Natural Classification	Functional Classification FY2004					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 11,208,547.97	\$ 0.00	\$ 0.00	\$ 59,276.56	\$ 30,472.76	\$ 25,700.00
Staff	1,887,914.3			2,013,797.73	1,739,011.54	2,153,827.70
Benefits	2,932,871.97			479,071.70	427,631.78	1,376,699.69
Personal Services						
Travel	230,265.77			34,346.32	35,459.34	27,920.24
Scholarships and Fellowships	84,482.59				1,075.00	2,511.00
Utilities	131,871.89			101,620.57	45,260.66	48,282.00
Supplies and Others Services	1,802,276.21			604,609.27	745,539.58	750,154.55
Depreciation	498,079.89			177,554.80	9,413.67	53,087.89
<b>Total Expenses</b>	<b>\$ 18,775,587.72</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 3,470,276.95</b>	<b>\$ 3,033,864.33</b>	<b>\$ 4,438,183.07</b>

Natural Classification	Functional Classification FY2004				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	Total Expenses
Faculty	\$ 0.00	\$ 0.00	\$ 82,835.00	\$ 0.00	\$ 11,406,832.29
Staff	1,615,902.58		1,117,115.58		10,526,846.56
Benefits	511,072.51		248,027.35		5,975,375.00
Personal Services	(738,911.16)		738,911.16		0.00
Travel	3,388.06		15,329.77		346,709.50
Scholarships and Fellowships		1,028,517.35	273,079.43		1,389,665.37
Utilities	1,302,172.43		147,481.65		1,776,689.20
Supplies and Others Services	1,269,558.62	285.00	6,236,132.18		11,408,555.41
Depreciation	1,300,476.86		556,301.88		2,594,914.99
<b>Total Expenses</b>	<b>\$ 5,263,659.90</b>	<b>\$ 1,028,802.35</b>	<b>\$ 9,415,214.00</b>	<b>\$ 0.00</b>	<b>\$ 45,425,588.32</b>

### ***Note 15. Component Units***

The North Georgia College & State University Foundation, Inc. (Foundation) was formed and incorporated under the laws of the state of Georgia in January, 1959. The purpose of the Foundation is to support North Georgia College & State University (University), its students, faculty and staff and the educational programs designed for its students, potential students and alumni. The Foundation's support comes primarily from contributions and grants from alumni, corporations, foundations and other individuals. 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 twenty-three-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 are 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.

During the year ended June 30, 2004, the Foundation made distributions of \$2,462,965 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of Institutional Advancement at 70 Alumni Drive, Dahlonega, GA 30533.

The Foundation prepares its financial 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. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

The Foundation manages a charitable gift annuity and currently pays 5% to the life beneficiary. Upon the death of the income beneficiary, the remaining funds will be unrestricted.

The Foundation realized an eleven percent investment return on the endowments in its business year ending June 30, 2004. An Investment Committee determines the appropriate investment mix to provide performance results needed to produce adequate funding for the University. The investment mix currently is approximately 60% Equity and 40% Bonds and Cash Equivalents.

**Long Term Liabilities for Component Units:**

	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Amounts due within One Year
Revenue Bonds Payable					
Student Housing	\$10,950,000.00	\$0.00	\$55,000.00	\$10,895,000.00	\$95,000.00
Total Long Term Debt	\$10,950,000.00	\$0.00	\$55,000.00	\$10,895,000.00	\$95,000.00

**Debt Service Obligations for Component Units**

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

		Bonds Payable		
Year Ending June 30:	Year	Principal	Interest	Total
2005	1	\$95,000.00	\$464,700.00	\$559,700.00
2006	2	100,000.00	459,000.00	559,000.00
2007	3	100,000.00	454,750.00	554,750.00
2008	4	100,000.00	450,500.00	550,500.00
2009	5	100,000.00	446,250.00	546,250.00
2010 through 2014	6-10	1,200,000.00	2,069,750.00	3,269,750.00
2015 through 2019	11-15	2,500,000.00	1,653,250.00	4,153,250.00
2020 through 2024	16-20	3,300,000.00	1,015,750.00	4,315,750.00
2025 through 2029	21-25	3,400,000.00	225,250.00	3,625,250.00
2030 through 2034	26-30			
2035 through 2039	31-35			
2040 through 2044	36-40			
		<u>\$10,895,000.00</u>	<u>\$7,239,200.00</u>	<u>\$18,134,200.00</u>