

SECTION 2, CORE REQUIREMENT 2.11

The institution has a sound financial base, demonstrated financial stability, and adequate physical resources to support the mission of the institution and the scope of its programs and services. The member institution provides the following financial statements: (a) an institutional audit (or Standard Review Report) issued in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA for those institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide; (b) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and the change in unrestricted net assets attributable to operations for the most recent year; and (c) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board. Audit requirements for applicant institutions may be found in the Commission policy entitled "Accreditation Procedures for Applicant Institutions." (Resources)

JUDGMENT OF COMPLIANCE

Compliant

Partially Compliant

Noncompliant

RATIONALE FOR JUDGMENT OF COMPLIANCE

North Georgia College & State University has a sound financial base and demonstrated financial stability and has adequate physical resources to support the mission of the institution and the scope of its programs and services.

NGCSU has demonstrated a sound financial base and financial stability by adhering to the Board of Regents of the University System of Georgia's Policies and Procedures. NGCSU follows the *BOR Policy Manual*, Section 700, Finance and Business policies [1]. The *Business Procedures Manual* describes Board of Regents' requirements of the USG institutions to "establish and maintain uniform and effective procedures of accounting, budgetary control, internal checks and audits, inventory controls and

business practices" [2, p. 1 of pdf]. The *Business Procedures Manual* specifies the use of generally accepted accounting principles. The new guidelines of the Government Accounting Standards Board were implemented in FY 2002 as described in the *BOR Business Procedures Manual*, Introduction section [3].

The institution publishes an Annual Financial Report (AFR) upon approval by the University System Office of the Associate Vice Chancellor, Internal Audit. NGCSU's AFR reports for the past ten years are linked under Comprehensive Standard 3.10.4, "Financial and Physical Resources" [4].

This table of the last three years of finances summarizes revenues and expenditures incurred by the University:

North Georgia College & State University

For the Years Ended June 30, 2006, June 30, 2005 and June 30, 2004

Revenue by Source

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating Revenue			
Tuition and Fees	\$12,107,083.63	\$11,124,969.34	\$ 9,834,044.83
Federal Appropriations	\$ -	\$ -	\$ -
Grants and Contracts	\$ 2,076,610.05	\$ 1,981,509.25	\$2,034,381.38
Sales and Services	\$ 715,893.78	\$ 536,538.91	\$ 345,922.75
Auxiliary	\$11,035,550.35	\$10,297,415.39	\$9,835,235.56
Other	<u>\$ 265,112.23</u>	<u>\$ 498,381.46</u>	<u>\$ 979,971.55</u>
Total Operating Revenue	\$26,200,250.04	\$24,438,814.35	\$23,029,556.07
Non-operating Revenue			
State Appropriations	\$22,329,411.68	\$19,887,999.51	\$18,899,966.64
Grants and Contracts	\$ 2,010,537.23	\$ 1,523,597.46	\$ 1,645,064.61
Gifts	\$ 243,474.69	\$ 890,216.80	\$ -
Investment Income	\$ 607,596.22	\$ 176,013.77	\$ 220,127.69
Other	<u>\$ 10,276.77</u>	<u>\$ 32,597.88</u>	<u>\$ (24,073.54)</u>
Total Non-operating Revenue	\$25,201,296.59	\$22,510,425.42	\$20,741,085.40
Capital Gifts and Grants			
State	\$ 293,377.41	\$ 6,183,953.95	\$ 1,807,727.16
Other Capital Gifts and Grants	\$ -	\$ 8,207.00	\$ -
Total Capital Gifts and Grants	<u>\$ 293,377.41</u>	<u>\$ 6,192,160.95</u>	<u>\$ 1,807,727.16</u>
Total Revenues	<u><u>\$51,694,924.04</u></u>	<u><u>\$53,141,400.72</u></u>	<u><u>\$45,578,368.63</u></u>

Expenses (by Functional Classification)
For the Years Ended June 30, 2006, June 30, 2005 and
June 30, 2004

	June 30, 2006	June 30, 2005	June 30, 2004
Operating Expenses			
Instruction	\$21,573,298.17	\$19,915,428.22	\$18,777,450.81
Research	\$ -	\$ -	\$ -
Public Service	\$ -	\$ -	\$ -
Academic Support	\$ 4,066,525.43	\$ 3,512,188.38	\$ 3,470,276.95
Student Services	\$ 3,271,889.67	\$ 3,104,016.27	\$ 3,020,785.25
Institutional Support	\$ 5,584,588.02	\$ 4,417,070.96	\$ 4,438,095.46
Plant Operations and Maintenance	\$ 5,347,823.55	\$ 4,971,900.01	\$ 5,263,687.25
Scholarships and Fellowships	\$ 1,071,318.52	\$ 964,822.71	\$ 1,028,802.35
Auxiliary Enterprises	\$10,665,720.63	\$10,119,970.97	\$ 9,415,214.00
Unallocated Expenses	\$ -	\$ -	\$ -
Patient Care (MCG only)	\$ -	\$ -	\$ -
Total Operating Expenses	<u>\$51,581,163.99</u>	<u>\$47,005,397.52</u>	<u>\$45,414,312.07</u>
Nonoperating Expenses			
Interest Expense (Capital Assets)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	\$51,581,163.99	\$47,005,397.52	\$45,414,312.07

INSTITUTIONAL AUDIT (OR STANDARD REVIEW REPORT)

The State of Georgia Department of Audits and Accounts issues a standard review report on the annual financial statements for NGCSU as an organizational unit of the State of Georgia [5]. The standard review report and management letter for the most recent fiscal year issued by the State of Georgia Department of Audits and Accounts is completed and will be provided as soon as possible [6]. The standard review reports for NGCSU for the past ten years are listed and linked under Comprehensive Standard 3.10.2, Financial and Physical Resources [7]. These reports contain no audit findings for the past ten years. The standard review reports are available on the NGCSU SACS web site under Audits [8].

The institution had an internal audit during FY 2005 conducted by the Board of Regents University System of Georgia Department of Internal Audit [9]. A second internal audit occurred during FY 2005 for a "Presidential Transition" report to be issued to the new incoming president as required by the Business Procedures Manual section 16.2.6: "Presidential transition

audits are used to inform an incoming president at an institution of any major control, financial, and/or operational issues and risks that may need to be addressed at the outset of the new campus administration.” [10, p. 16-6] A letter from Chancellor Meredith [11] reports NGCSU’s audit ranking as a “code 1,” indicating the highest ranking on the Overall Audit Rating Scale according to the *Business Procedures Manual*, Section 16.3.9 [12, p. 16-12].

ANNUAL BUDGET

The University utilizes a comprehensive budget process to assure sound planning in the resource allocation process. The budget process links planning and assessment with quantitative measures and national comparative indices to assure that resource allocations are responsive to the University’s strategic initiatives.

The University’s decentralized budget model assigns budget management at the lowest level practical, providing a high level of autonomy and accountability throughout the enterprise.

The link between planning, assessment and budgeting is accomplished within the annual budget cycle following a comprehensive budget calendar and budget handbook. Quantitative analysis, performance measurement and assessment results are prepared annually and provided to senior budget managers to defend, justify and link their annual funding requests.

Final resource allocation requires approval of the University President and the Board of Regents of the University System of Georgia.

North Georgia College & State University follows the *Business Procedures Manual*, Section 8.0, Budget Process [13]. The Office of the Vice President for Business and Finance also adheres to internal budget policies found on the University’s web site [14]. The Budget Handbook is a document also published on the University’s web site that details NGCSU’s Decentralized Budget Model and provides guidance for the budget process [15]. The NGCSU Fiscal Year Planning, Budgeting, and Assessment Cycle is published on the University’s Institutional Effectiveness web site in the Factbook [16].

The FY 2006 budget allocation was approved in the minutes of the University System Board of Regents [17, p. 22].

UNRESTRICTED NET ASSETS

North Georgia College & State University reports unrestricted net assets in Note 1 of the Management Discussion and Analysis report [18]. The unrestricted net assets are comprised of revenue resources from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. The University makes use of these resources through the budgeting process to maintain operations relating to educational and general expenditures to the point of creating a surplus or deficit. Any surplus is returned to the Board of Regents of the University System of Georgia, University System Office for remittance to the office of Treasury and Fiscal Services [19]. Unrestricted net assets also include Auxiliary Enterprises, self-supporting enterprises that provide services for students, faculty and staff. The table shown here represents unrestricted net assets with separate line items for plant, property and equipment as directed by the Board of Regents mapping for the annual financial report. This table also shows the effect of plant, property and equipment on the income statement:

North Georgia College & State University

	FY 06	FY 05	Change
Unrestricted Net Assets	\$ 7,057,049.06	\$ 5,803,238.18	\$ 1,253,810.88
Invested in Capital Assets, Net of Related Debt*	\$ 51,240,346.33	\$ 52,433,994.54	\$ (1,193,648.21)
Restricted Net Assets	\$ 4,069,489.70	\$ 4,015,892.32	\$ 53,597.38
	\$ 62,366,885.09	\$ 62,253,125.04	\$ 113,760.05

	URNA (from income)	URNA w/o plant
Net Tuition	\$ 12,107,083.63	\$ 12,107,083.63
Gifts & Nongovernmental Grants	\$ 536,852.10	\$ 536,852.10
Auxiliaries	\$ 11,035,550.35	\$ 11,035,550.35
Investment Income	\$ 607,596.22	\$ 607,596.22
Governmental Grants and Contracts	\$ 4,087,147.28	\$ 4,087,147.28
State Appropriations	\$ 22,329,411.68	\$ 22,329,411.68
Other	\$ 991,282.78	\$ 991,282.78
Gain/Loss-Retire Capital Asset		\$ 3,808.76
State Gifts - Capitalized		\$ (293,377.41)
Local Gifts - Capitalized		\$ -
TOTAL REVENUE	\$ 51,694,924.04	\$ 51,405,355.39

Instruction	\$ 21,573,298.17	\$ 21,573,298.17
Academic Support	\$ 4,066,525.43	\$ 4,066,525.43
Student Services	\$ 3,271,889.67	\$ 3,271,889.67
Institutional Support	\$ 5,584,588.02	\$ 5,584,588.02
Plant Operations & Maintenance	\$ 5,347,823.55	\$ 5,347,823.55
Scholarships & Fellowships	\$ 1,071,318.52	\$ 1,071,318.52
Auxiliary Enterprises	\$ 10,665,720.63	\$ 10,665,720.63
Depreciation		\$ (2,305,708.74)
Additions to property		\$ 859,175.40
CWIP		\$ 10,187.00
CWIP		\$ (46,870.52)
TOTAL EXPENSE	\$ 51,581,163.99	\$ 50,097,947.13
REV LESS EXP	\$ 113,760.05	\$ 1,307,408.26
Change		\$ 1,193,648.21

*Capital assets are reported in a separate line item and is not included in the URNA line.

Document Reference:

Number	DB Num	Document Title	Resource
1		Board of Regents, Policy Manual, Section 700, Finance and Business	http://www.usg.edu/regents/policymanual/700.phtml
2		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Introduction, p. i	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-intro.pdf
3		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Section 1.0 – Accounting Principles and Definitions, Introduction, p. 1-1	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect01.pdf
4		SACS Comprehensive Standard 3.10.4	http://www.ngcsu.edu/sacs/compliance_audit/audit_report/section_3/comp_std_3-10-4_control_fin_phys_res.pdf
5		The State of Georgia Department of Audits and Accounts, Available Financial Reports	http://www.audits.state.ga.us/internet/ad/colltech.html

Number	DB Num	Document Title	Resource
6		State of Georgia Department of Audits and Accounts, Standard Review Report, most current (FY 2006*)	http://www.ngcsu.edu/sacs/Reference_Room/documents/ngcsu_rpts_4.htm#audits *FY 2006 will be sent as soon as it is received.
7		SACS Comprehensive Standard, 3.10.2, Financial and Physical Resources	http://www.ngcsu.edu/sacs/compliance_audit/audit_report/section_3/comp_std_3-10-2_fin_statements.pdf
8		NGCSU SACS web site, Documents, State Auditor's Reports (FY 2006*)	http://www.ngcsu.edu/sacs/Reference_Room/documents/ngcsu_rpts_4.htm#audits *FY 2006 will be sent as soon as it is received.
9		NGCSU Internal Audit, December 13, 2004	http://www.ngcsu.edu/sacs/Reference_Room/documents/NGCSU_reports/Audits/Audit_2004-12-13.pdf
10		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Section 16.2.6, Presidential Transition	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect16.pdf , p. 6 of PDF.
11		Letter from Chancellor Meredith	http://www.ngcsu.edu/sacs/Reference_Room/documents/NGCSU_reports/Finance/Ltr_Chancellor_Audit_Ranking.pdf
12		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Section 16.3.9, State Department of Audits and Accounts Report Ratings	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect16.pdf , p. 12 of PDF.
13		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Section 8.0, Budget Process	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect08.pdf
14		NGCSU, Vice President of Business and Finance, Budget Policies and Procedures	http://www.ngcsu.edu/Bus_Fin/Budget%20Office/Budget%20Policies%20and%20Procedures.htm
15		NGCSU Budget Handbook	http://www.ngcsu.edu/Bus_Fin/Budget%20Office/Handbook.htm
16		NGCSU Institutional Effectiveness Fact Book,	http://www.ngcsu.edu/Resource/IRP/irp_home/Factbookwebversion/facilities/fina

Number	DB Num	Document Title	Resource
		NGCSU Fiscal Year Planning, Budgeting, and Assessment Cycle	nce/budgetcycle.shtml
17		Board of Regents, Meeting Minutes, April 2005, Committee on Finance and Business Operations	http://www.usg.edu/regents/minutes/2005/apr05min.pdf
18		Annual Financial Report, Management Discussion and Analysis Report, Note 1 (FY 2006*)	http://www.ngcsu.edu/sacs/Reference_Room/documents/ngcsu_rpts_4.htm#audits *FY 2006 will be sent as soon as it is received.
19		Board of Regents, Office of Fiscal Affairs, Business Procedures Manual, Section 1.0, Accounting Principles and Definitions	http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect01.pdf