



KENNESAW STATE
UNIVERSITY

ANNUAL
FINANCIAL
REPORT
2019

Including Independent Auditor's Report

KENNESAW STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2019

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INTRODUCTION





Message from the President

This past year has been an exciting time for Kennesaw State University, and I am pleased to share with you our 2019 Financial Report. Kennesaw State has earned the “Award of Distinction for Excellent Financial Reporting” by the Georgia Department of Audits and Accounts for fiscal year 2018, making it the third consecutive year that KSU has received this recognition. This distinction is an indication of the outstanding commitment to excellence in financial reporting and controls demonstrated by Kennesaw State.

Over the past year, Kennesaw State has taken steps to improve the student experience, through offering more course sections, reprioritizing resources for new advisor and faculty hiring, and creating and funding scholarships, such as the GAP Scholarship. The GAP Scholarship provides students in their final semester who owe relatively small amounts of money the funding needed to finish their degrees. The scholarship’s recipients had a 94 percent graduation rate this past spring.

With these steps forward and others, our various colleges are gaining steam, from Business to Arts to Engineering. In fact, Kennesaw State is home to the 2019 Engineer of the Year, as determined by the Georgia Society of Professional Engineers, and a greater percentage of KSU’s engineering graduates work in Georgia than any other similar program. Our graduate programs are excelling as well, with KSU recently graduating our first Ph.D. in the Analytics and Data Science program.

Our Office of Research has begun a new program that will help faculty secure external funding for their research through mentorship in writing federal grant proposals. In addition, Kennesaw State hosted the largest National Conference on Undergraduate Research ever—and the first in Georgia—this April. These actions are evidence that both faculty and undergraduate research will remain vital components of our overall research and university agendas.

All of these efforts align with our relatively recent designation by the Carnegie Classification as an R2 – Doctoral University with High Research Activity. This places us in the top 6 percent of colleges and universities in the nation. We are taking this designation seriously and will continue to build upon our existing undergraduate education, graduate education and research. As always, we will do so with students at the forefront of all decisions.

Sincerely,

A handwritten signature in black ink that reads 'Pamela S. Whitten'.

Pamela S. Whitten
President

OFFICE OF THE PRESIDENT

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Letter of Transmittal

August 16, 2019

To: President Pamela S. Whitten
Kennesaw State University

The Annual Financial Report (AFR) for the Kennesaw State University includes the financial statements for the year ended June 30, 2019, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2019.

Kennesaw State University management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institution's financial position, revenues, expenses and other changes in net position.

The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the University's management. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Sincerely,

Julie Peterson
Chief Business Officer



FINANCIALS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board Regents of the University System of Georgia
and
Dr. Pamela Whitten, President
Kennesaw State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Kennesaw State University (University) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Kennesaw State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, major fund and discretely presented component units of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As also discussed in Note 1 to the financial statements, in 2019, the University restated the prior period financial statements to correct a misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section and accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

December 23, 2019

KENNESAW STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Kennesaw State University (University) is one of the 26 institutions of higher education of the University System of Georgia. The University, offering campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. This broad range of educational opportunities attracts a highly qualified faculty and a student body of more 35,000 students for the last three years. The Institution had a 1.2% decline in enrollment which was typical for comprehensive universities in Georgia. Comparison numbers follow:

	STUDENT HEADCOUNT	STUDENT FTE
FY 2019	35,420	31,624
FY 2018	35,846	32,147
FY 2017	35,018	31,360

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2019. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; 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 fiscal year 2019 and fiscal year 2018.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2019 and includes all assets and liabilities, both current and non-current. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category is the net investment in capital assets. It provides the University's equity in property, plant and equipment owned by the University.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the University 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. Unrestricted resources are available to the University for any lawful purpose.

The following table summarizes the Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION	June 30, 2019	June 30, 2018 (1)	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 153,625,207	\$ 141,426,054	\$ 12,199,153	8.63 %
Capital Assets, Net	631,788,608	639,647,001	(7,858,393)	(1.23)%
Other Assets	7,719,050	7,572,063	146,987	1.94 %
TOTAL ASSETS	793,132,865	788,645,118	4,487,747	0.57 %
DEFERRED OUTFLOWS	96,989,218	59,268,214	37,721,004	63.64 %
LIABILITIES				
Current Liabilities	57,040,999	57,504,178	(463,179)	(0.81)%
Non Current Liabilities	709,529,652	688,981,250	20,548,402	2.98 %
TOTAL LIABILITIES	766,570,651	746,485,428	20,085,223	2.69 %
DEFERRED INFLOWS	94,521,227	79,518,373	15,002,854	18.87 %
NET POSITION				
Net Investment in Capital Assets	301,726,082	296,117,362	5,608,720	1.89 %
Restricted, Non-Expendable	4,830,599	4,627,307	203,292	4.39 %
Restricted, Expendable	1,833,328	1,497,759	335,569	22.40 %
Unrestricted (Deficit)	(279,359,804)	(280,332,897)	973,093	0.35 %
TOTAL NET POSITION	\$ 29,030,205	\$ 21,909,531	\$ 7,120,674	32.50 %

(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

Total assets increased \$4,487,747 which was due to an increase in current assets of \$12,199,153, a decrease in net capital assets of \$(7,858,393), and an increase in other assets of \$146,987. In current assets, cash and cash equivalents increased by \$12,481,693 primarily due to an increase in operating and non-operating revenues.

Total deferred outflows of resources increased by \$37,721,004 which was primarily due to an increase in deferred loss on the University's share of Defined Benefit Pension plans of \$19,694,248 and an increase in other post-employment benefits (OPEB) of \$18,118,792. This increase was partially offset by a decrease in the deferred loss on debt refunding \$92,036.

Total liabilities increased \$20,085,223 which was due to a decrease in current liabilities of (\$463,179) and an increase in non-current liabilities of \$20,548,402. The increase in non-current liabilities was primarily due to an increase in the University's proportionate share of net pension liability and OPEB liability offset by a decrease in Lease Purchase Obligations due to the annual payments and a decrease in compensated absences.

Total deferred inflows of resources increased by \$15,002,854 which was primarily due to an increase in the University's proportionate share of net other post-employment benefits (OPEB) of \$12,833,286, an increase in defined benefit pension plans for the Board of Regents Retiree Benefit Plans of \$3,452,302 and an increase in deferred gain on debt refunding of \$2,358,593. This increase was partially offset by a decrease in deferred Service Concession Arrangements due to the annual amortization of \$3,641,327.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of \$7,120,674. This change in net position is primarily due to an increase in Net Investment in Capital Assets in the amount of \$5,608,720.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. 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 University. 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 University without the Legislature directly receiving commensurate goods and services for those revenues.

The following table summarizes Revenues, Expenses and Changes in Net Position:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2019	June 30, 2018 (1)	Increase/ (Decrease)	% Change
Operating Revenue	\$ 321,036,335	\$ 307,686,178	\$ 13,350,157	4.34 %
Operating Expense	535,401,001	504,822,685	30,578,316	6.06 %
Operating Income/Loss	(214,364,666)	(197,136,507)	(17,228,159)	(8.74)%
Non-Operating Revenue and Expense	208,012,598	196,479,672	11,532,926	5.87 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(6,352,068)	(656,835)	(5,695,233)	(867.07)%
Other Revenues, Expenses, Gains and Losses	9,025,097	26,774,128	(17,749,031)	(66.29)%
Change in Net Position	2,673,029	26,117,293	(23,444,264)	(89.77)%
Net Position at beginning of year, restated	26,357,176	(4,207,762)	30,564,938	(726.39)%
Net Position at End of Year	\$ 29,030,205	\$ 21,909,531	\$ 7,120,674	32.50 %

(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenues

Operating revenues increased by \$13,350,157. The increase was mainly due to an increase of \$11,050,817 in Other Grants and Contracts revenues of which \$11,015,090 was due to the execution of a Memorandum of Understanding (MOU) with Kennesaw State University Foundation, Inc. (Foundation). Under the MOU, the University received budgeted dollars to manage the operations of the Foundation owned housing for a management fee. There was also an increase of \$1,880,225 in direct sales and service revenue.

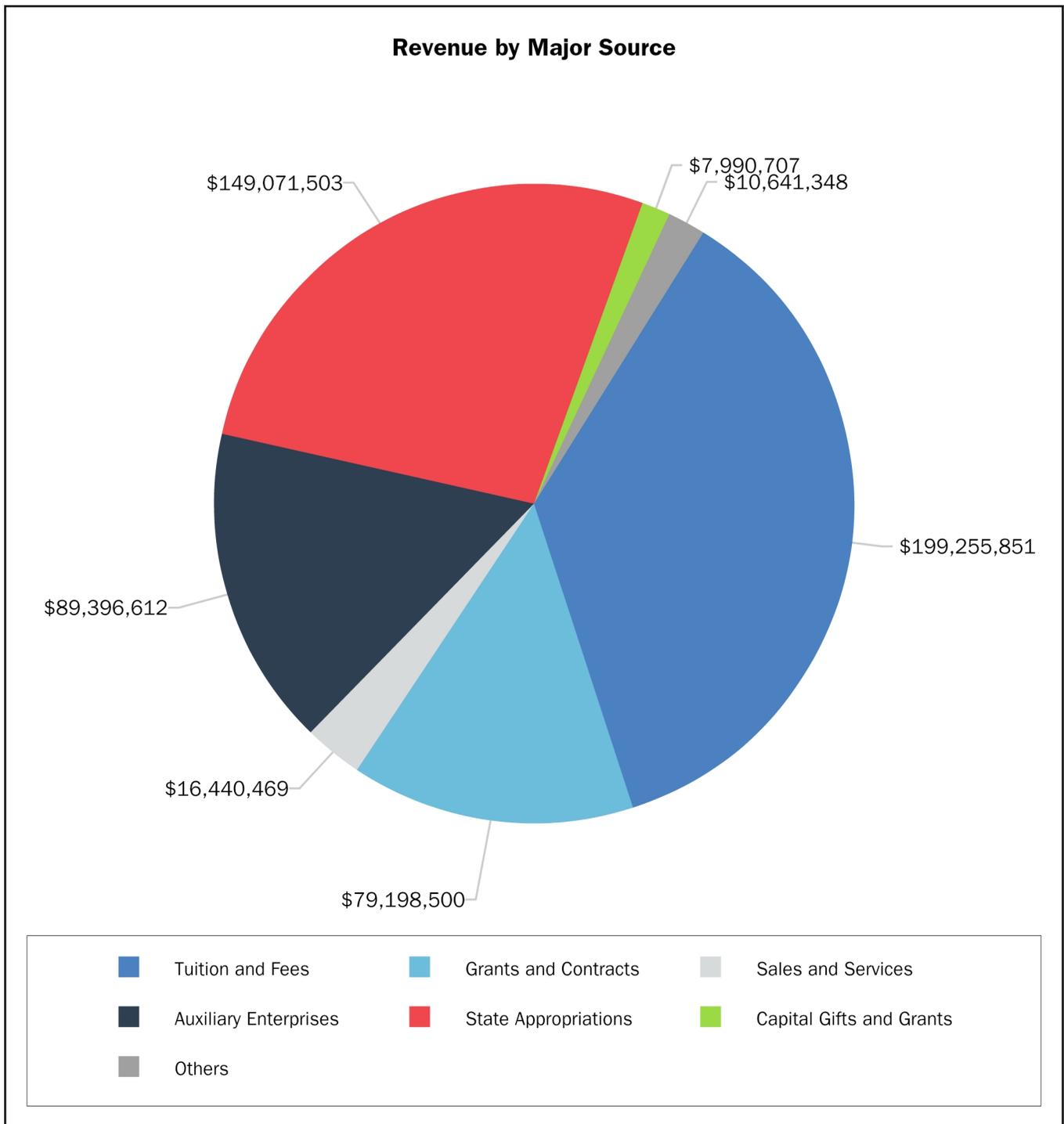
Non-Operating revenue and expenses increased by \$11,532,926 primarily due to an increase in state appropriation of \$10,596,057, increase in investment income by \$1,008,081, reduction in interest expenses by \$1,301,121 and reduction in grant and contract revenue by \$2,019,921.

Other revenues, expenses, gains, losses and special items decreased by \$17,749,031 primarily due to decrease in state grants in 2019 compared to 2018 when a building was completed and gifted to the University by the Georgia State Finance and Investment Commission (GSFIC).

For the years ended June 30, 2019 and June 30, 2018, revenues by source were as follows:

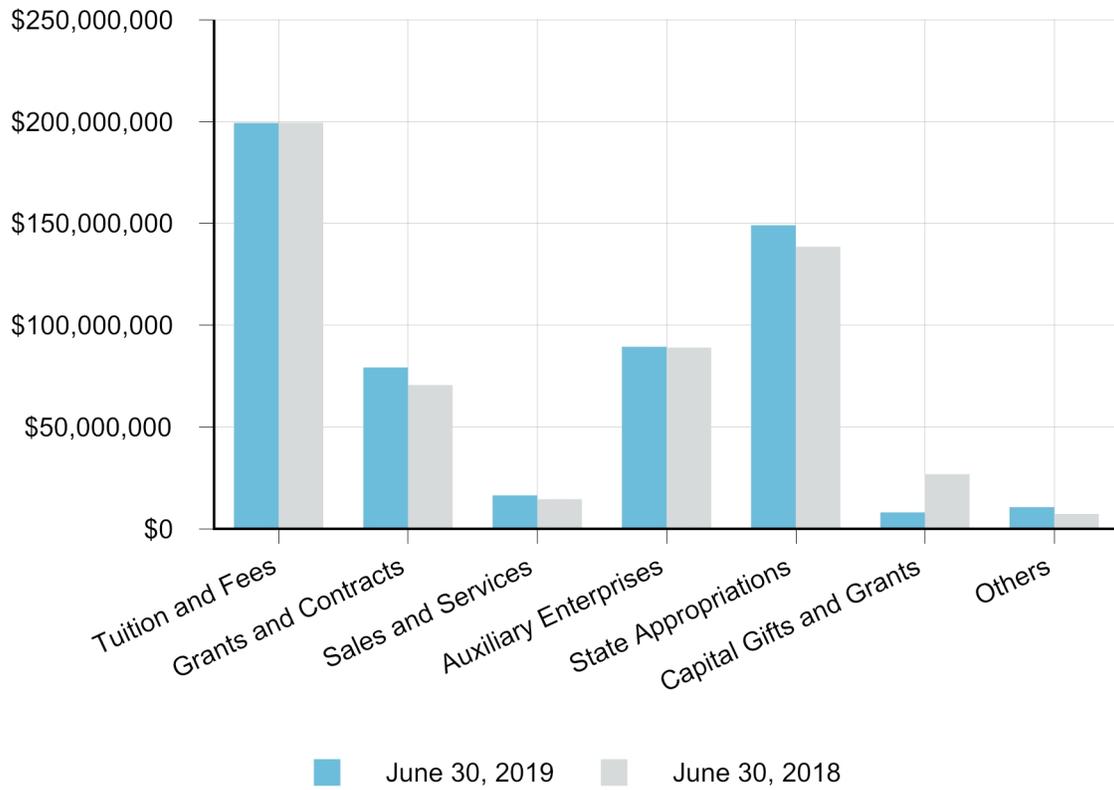
REVENUES BY SOURCE	June 30, 2019	June 30, 2018	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 199,255,851	199,435,290	\$ (179,439)	(0.09)%
Grants and Contracts	13,338,799	2,679,948	10,658,851	397.73 %
Sales and Services	16,440,469	14,560,244	1,880,225	12.91 %
Auxiliary Enterprises	89,396,612	89,035,609	361,003	0.41 %
Other Operating Revenues	2,604,604	1,975,087	629,517	31.87 %
Total Operating Revenues	321,036,335	307,686,178	13,350,157	4.34 %
State Appropriations	149,071,503	138,475,446	10,596,057	7.65 %
Grants and Contracts	65,859,701	67,879,622	(2,019,921)	(2.98)%
Gifts	5,268,745	4,456,119	812,626	18.24 %
Investment Income	1,923,691	915,610	1,008,081	110.10 %
Other Nonoperating Revenues	(190,082)	(25,044)	(165,038)	(658.99)%
Total Nonoperating Revenues	221,933,558	211,701,753	10,231,805	4.83 %
State Capital Gifts and Grants	3,914,093	22,073,032	(18,158,939)	(82.27)%
Other Capital Gifts and Grants	4,076,614	4,701,096	(624,482)	(13.28)%
Total Capital Gifts and Grants	7,990,707	26,774,128	(18,783,421)	(70.16)%
Special Items	1,034,390	0	1,034,390	100.00 %
Total Revenues	\$ 551,994,990	\$ 546,162,059	\$ 5,832,931	1.07 %

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



Revenue by major source for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:

Revenue Source by Major Source



Expenses

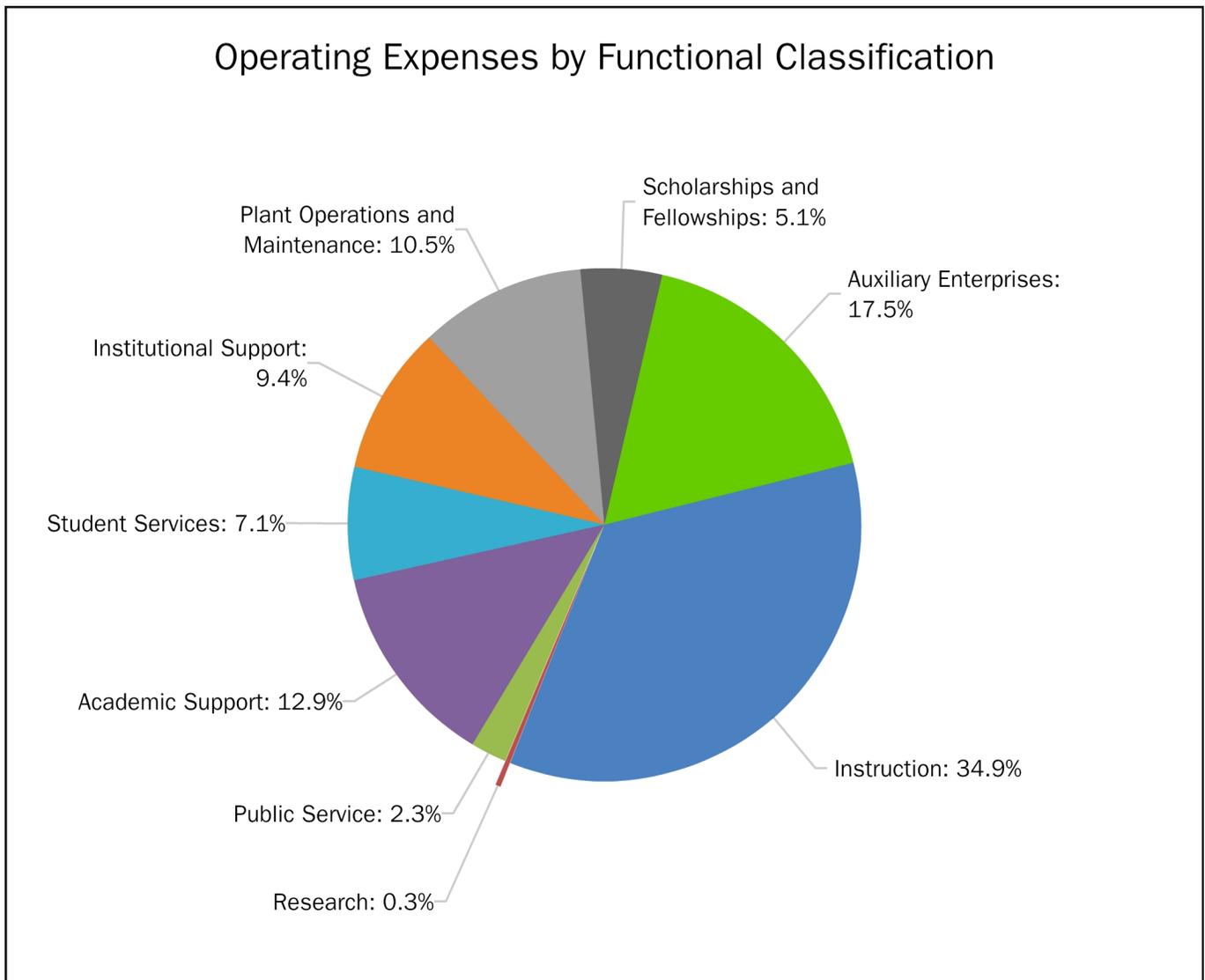
For the years ended June 30, 2019 and June 30, 2018, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2019	June 30, 2018 (1)	Increase/ (Decrease)	% Change
Instruction	186,774,998	189,100,651	(2,325,653)	(1.23)%
Research	1,797,777	1,304,370	493,407	37.83 %
Public Service	12,154,487	13,322,390	(1,167,903)	(8.77)%
Academic Support	69,152,116	67,116,796	2,035,320	3.03 %
Student Services	38,087,337	37,104,374	982,963	2.65 %
Institutional Support	50,261,348	47,805,571	2,455,777	5.14 %
Plant Operations and Maintenance	56,145,474	44,458,486	11,686,988	26.29 %
Scholarships and Fellowships	27,413,877	24,309,914	3,103,963	12.77 %
Auxiliary Enterprises	93,613,587	80,300,133	13,313,454	16.58 %
Total Operating Expenses	535,401,001	504,822,685	30,578,316	6.06 %
Interest Expense	13,920,960	15,222,081	(1,301,121)	(8.55)%
Total Nonoperating Expenses	13,920,960	15,222,081	(1,301,121)	(8.55)%
Total Expenses	549,321,961	520,044,766	29,277,195	5.63 %

(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

Total operating expenses were \$535,401,001 in fiscal year 2019, an increase of \$30,578,316 when compared with fiscal year 2018. These increases are primarily attributable to an increase in Plant Operations and Maintenance \$11,686,988, Auxiliary Enterprises expenses \$13,313,454, Institutional Support \$2,455,777 and Academic Support expenses \$2,035,320. Auxiliary enterprise expenses increased mainly due to the execution of a MOU with KSU Foundation wherein the University agreed to manage the operations of the KSU Foundation owned housing for a management fee. The Foundation housing expenses contributed to 34% of the total operating expense increase. From a natural view, expenses increased primarily in Salaries and Benefits by \$7,636,055 and in Supplies and Others Services by \$17,954,776. The total salary increase included an increase of \$7,542,575 related to increase in faculty salaries, decrease in staff salaries by \$8,444,885 and an increase of \$8,538,365 related to employee benefit expenses. There was also an increase in scholarship expense of \$2,647,265 and utilities expenses of \$2,452,807 in fiscal year 2019.

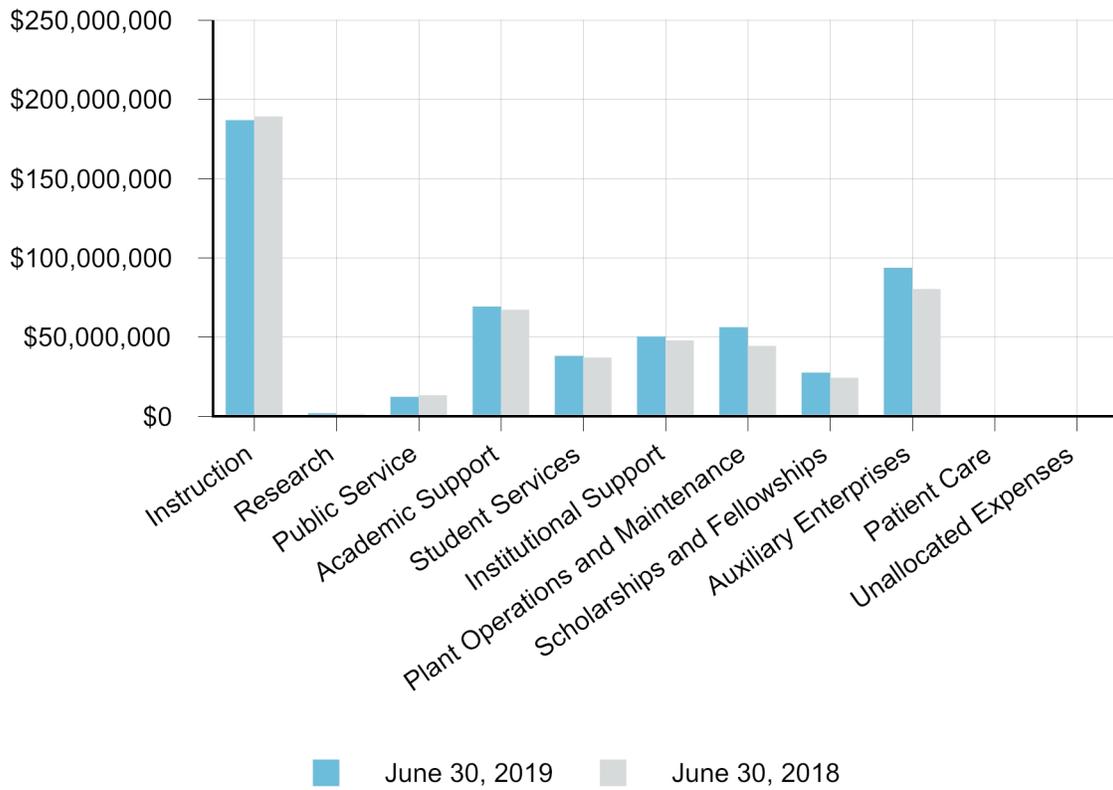
The following chart depicts the fiscal 2019 operating expenses by functional classification.



(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

Operating expenses by functional classification for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:

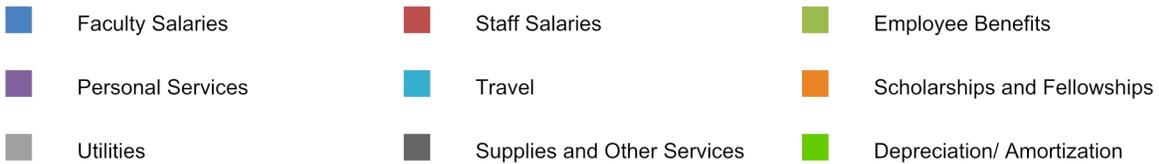
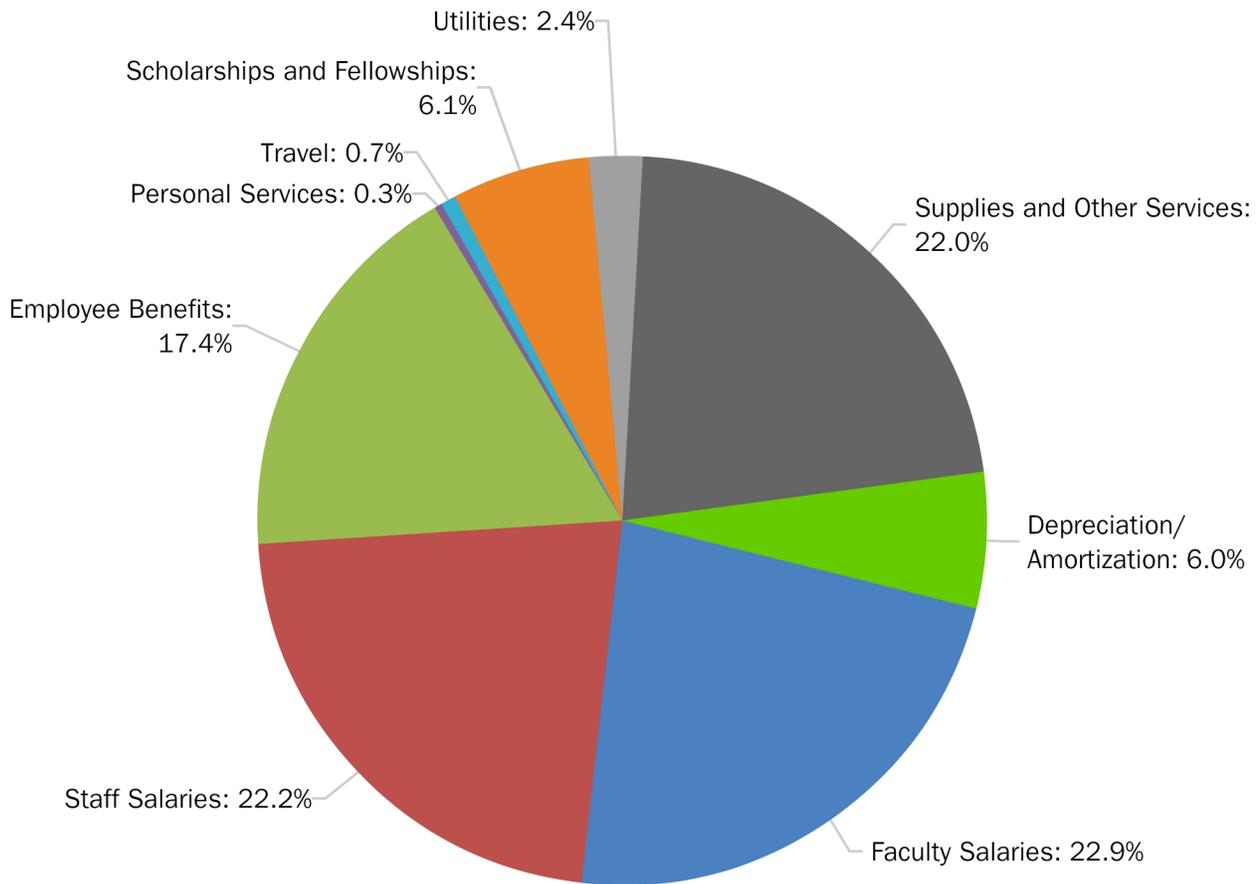
Operating Expenses by Functional Classification



(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

The following chart depicts the fiscal 2019 operating expenses by natural classification:

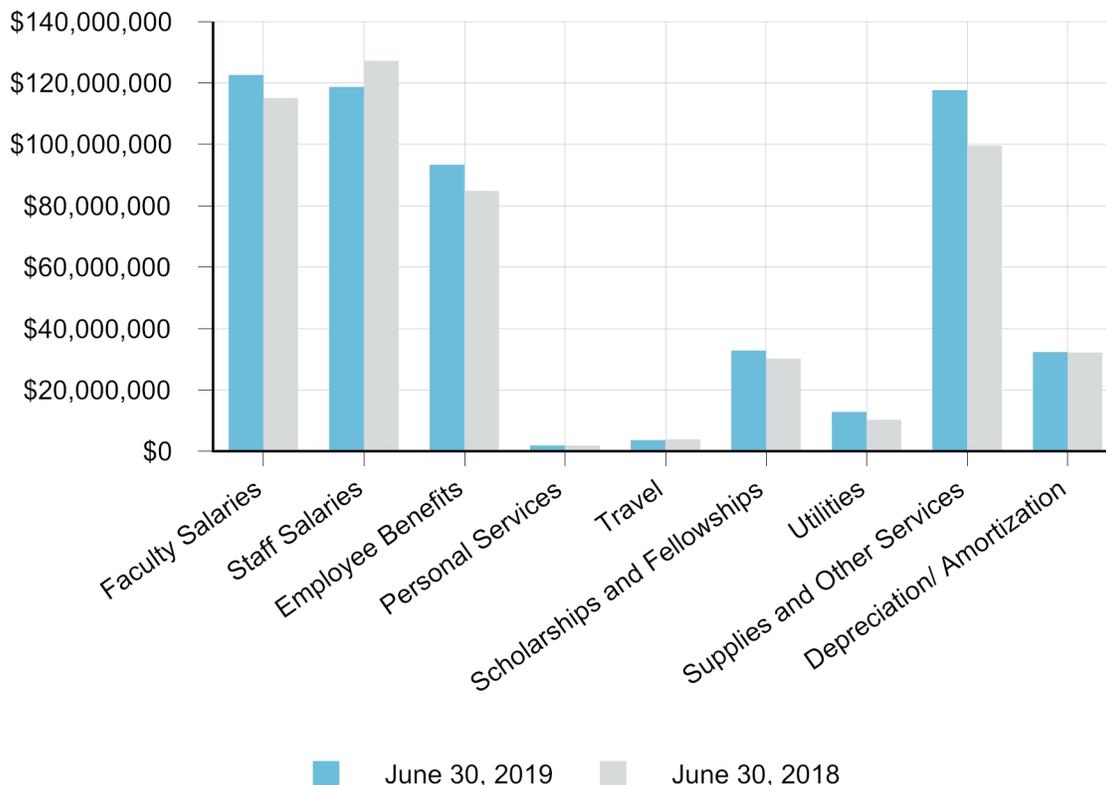
Operating Expenses by Natural Classification



(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

Operating expenses by by natural classification for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:

Operating Expenses by Natural Classification



(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2019 and 2018, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS		
	June 30, 2019	June 30, 2018
Cash Provided (Used) by:		
Operating Activities	\$ (169,003,438)	\$ (159,713,382)
Non-Capital Financing Activities	218,399,481	210,232,854
Capital and Related Financing Activities	(38,541,739)	(41,171,155)
Investing Activities	1,687,757	637,252
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,542,061	9,985,569
Cash and Cash Equivalents, beginning of year	109,356,742	99,371,173
Cash and Cash Equivalents, end of year	\$ 121,898,803	\$ 109,356,742

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2019 and June 30, 2018 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2019	June 30, 2018 (1)	Increase (Decrease)	% Change
Land	\$ 44,287,886	\$ 36,382,142	\$ 7,905,744	21.73 %
Capitalized Collections	5,242,182	5,158,373	83,809	1.62 %
Construction Work-in-Progress	12,612,827	10,031,395	2,581,432	25.73 %
Infrastructure	11,067,176	9,718,856	1,348,320	13.87 %
Building and Building Improvements	527,189,029	548,621,960	(21,432,931)	(3.91)%
Facilities and Other Improvements	4,204,414	4,583,943	(379,529)	(8.28)%
Equipment	21,419,247	19,032,144	2,387,103	12.54 %
Library Collections	1,503,386	1,709,970	(206,584)	(12.08)%
Capitalized Collections	4,262,461	4,408,218	(145,757)	(3.31)%
Capital Assets, net of accumulated depreciation	\$ 631,788,608	\$ 639,647,001	\$ (7,858,393)	(1.23)%

(1) The June 30, 2018 amounts do not reflect the effects of the restatement of July 1, 2018 net position related to capital assets. See note 6 Capital Assets.

The July 2018 balances were restated to reflect a reclassification of certain assets from Building & Building improvements to Land. This restatement resulted in a reduction of buildings and increase in land value of \$7,905,744. This also resulted in an adjustment to depreciation of \$4,447,645.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

Kennesaw State University had Long-Term Liabilities of \$281,716,787 excluding pension and OPEB liability; of which \$18,931,539 was reflected as current liability at June 30, 2019.

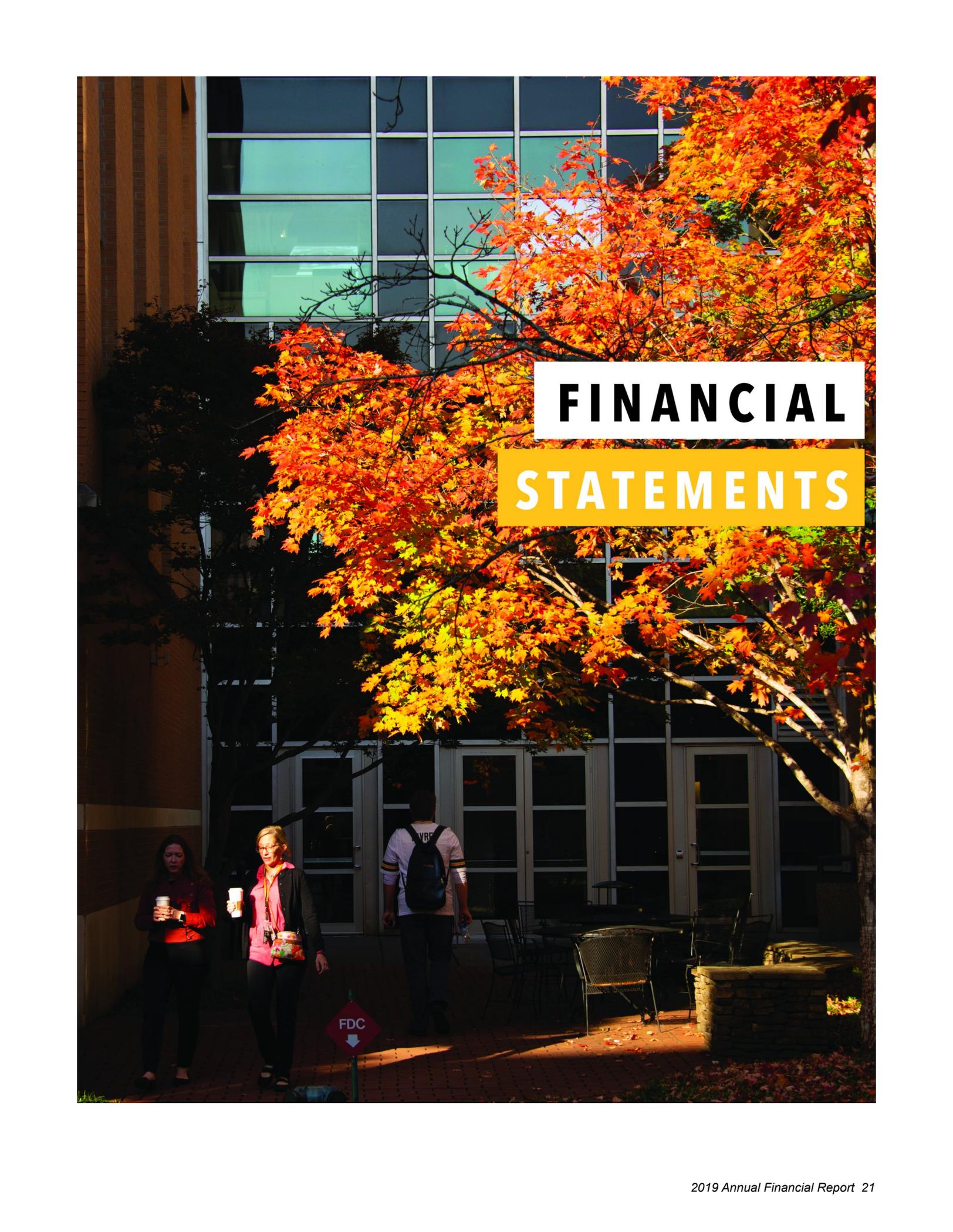
For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases,

compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Kennesaw State 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 having a global effect on virtually all types of business operations. The Institution's' overall financial position is strong. The University anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.



FINANCIAL STATEMENTS

**KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Kennesaw State University	Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 121,665,427	\$ 20,976,524
Cash and Cash Equivalents (Externally Restricted)	233,376	—
Short-term Investments		11,808,911
Accounts Receivable, net		
Federal Financial Assistance	4,444,530	—
Affiliated Organizations	3,118,402	—
Component Unit	1,324,742	—
Primary Government		136,670
Pledges and Contributions		3,795,285
Other	12,970,298	672,505
Investment in Capital Leases - Primary Government		8,443,863
Inventories	3,821,619	—
Prepaid Items	6,046,813	71,873
Total Current Assets	153,625,207	45,905,631
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	2,052,325	—
Pledges and Contributions		6,532,146
Investments	238,349	16,552,416
Notes Receivable, net	518,800	—
Investment in Capital Leases - Primary Government		211,334,317
Non-current Cash (Externally Restricted)		52,811,934
Investments (Externally Restricted)	4,909,576	37,975,707
Capital Assets, net	631,788,608	82,805,582
Total Non-Current Assets	639,507,658	408,012,102
TOTAL ASSETS	793,132,865	453,917,733
DEFERRED OUTFLOWS OF RESOURCES	\$ 96,989,218	\$ —

The notes to the financial statements are an integral part of this statement.

**KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Kennesaw State University	Component Unit
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 14,184,015	\$ 8,239,582
Salaries Payable	1,520,429	—
Benefits Payable	709,815	—
Contracts Payable	952,089	—
Retainage Payable	650,892	—
Due to Affiliated Organizations	128,759	—
Due to Component Unit	136,670	—
Due to Primary Government		1,324,742
Advances (Including Tuition and Fees)	19,250,220	779,628
Deposits	31,919	29,678
Deposits Held for Other Organizations	237,800	80,051
Other Liabilities	306,852	—
Lease Purchase Obligations - External	1,465,556	—
Lease Purchase Obligations - Component Unit	8,443,863	—
Revenue Bonds and Notes Payable		12,575,000
Liabilities Under Split Interest Agreements		550
Compensated Absences	9,022,120	—
Total Current Liabilities	57,040,999	23,029,231
Non-Current Liabilities		
Lease Purchase Obligations - External	48,709,736	—
Lease Purchase Obligations - Component Unit	211,334,301	—
Revenue Bonds and Notes Payable		347,349,955
Liabilities Under Split Interest Agreements		2,265
Compensated Absences	2,741,211	—
Net Other Post-Employment Benefits Liability	264,487,602	—
Net Pension Liability	182,256,802	—
Total Non-Current Liabilities	709,529,652	347,352,220
TOTAL LIABILITIES	766,570,651	370,381,451
DEFERRED INFLOWS OF RESOURCES	94,521,227	—
NET POSITION		
Net Investment in Capital Assets	301,726,082	(34,864,945)
Restricted for:		
Nonexpendable	4,830,599	37,981,174
Expendable	1,833,328	29,381,899
Unrestricted (Deficit)	(279,359,804)	51,038,154
TOTAL NET POSITION	\$ 29,030,205	\$ 83,536,282

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Kennesaw State University	Component Unit
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 199,255,851	\$ —
Grants and Contracts		
Federal	1,636,115	—
State	277,574	—
Other	11,425,110	—
Sales and Services	16,440,469	350,540
Rents and Royalties	1,013,430	40,762,497
Auxiliary Enterprises		
Residence Halls	17,390,212	—
Bookstore	10,785,306	—
Food Services	23,102,329	—
Parking	10,635,925	—
Health Services	3,420,555	—
Intercollegiate Athletics	15,436,965	—
Other Organizations	8,625,320	—
Gifts and Contributions		5,620,442
Endowment Income		1,179,819
Other Operating Revenues	1,591,174	—
Total Operating Revenues	<u>321,036,335</u>	<u>47,913,298</u>
OPERATING EXPENSES		
Faculty Salaries	122,585,671	—
Staff Salaries	118,714,416	3,068,011
Employee Benefits	93,368,772	—
Other Personal Services	1,797,877	46,988
Travel	3,583,924	3,061
Scholarships and Fellowships	32,766,885	2,622,282
Utilities	12,703,464	2,616,619
Supplies and Other Services	117,580,819	16,098,001
Depreciation	32,299,173	5,037,407
Total Operating Expenses	<u>535,401,001</u>	<u>29,492,369</u>
Operating Income (Loss)	<u>\$ (214,364,666)</u>	<u>\$ 18,420,929</u>

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Kennesaw State University	Component Unit
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 149,071,503	\$ —
Grants and Contracts		
Federal	61,797,126	—
State	97,779	—
Other	3,964,796	—
Gifts	5,268,745	—
Investment Income	1,923,691	2,928,319
Interest Expense	(13,920,960)	(12,889,878)
Other Nonoperating Revenues (Expenses)	(190,082)	(1,031,791)
	<hr/>	<hr/>
Net Nonoperating Revenues (Expenses)	208,012,598	(10,993,350)
	<hr/>	<hr/>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,352,068)	7,427,579
	<hr/>	<hr/>
Capital Grants and Gifts		
State	3,914,093	—
Other	4,076,614	—
Additions to Permanent and Term Endowments		2,199,101
Special Item	1,034,390	—
	<hr/>	<hr/>
Total Other Revenues, Expenses, Gains or Losses	9,025,097	2,199,101
	<hr/>	<hr/>
Change in Net Position	2,673,029	9,626,680
	<hr/>	<hr/>
Net Position, Beginning of Year, As Originally Reported	21,909,531	73,909,602
Prior Year Adjustments	4,447,645	—
Net Position, Beginning of Year, Restated	26,357,176	73,909,602
	<hr/>	<hr/>
Net Position, End of Year	\$ 29,030,205	\$ 83,536,282
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The notes to the financial statements are an integral part of this statement.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Kennesaw State University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 317,669,213
Grants and Contracts (Exchange)	2,121,214
Payments to Suppliers	(210,464,522)
Payments to Employees	(245,605,198)
Payments for Scholarships and Fellowships	(32,766,885)
Loans Issued to Students	(78,591)
Collection of Loans from Students	121,331
Net Cash Used by Operating Activities	<u>(169,003,438)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	149,071,503
Agency Funds Transactions - Receipts	587,521,120
Agency Funds Transactions - Disbursements	(589,763,165)
Gifts and Grants Received for Other Than Capital Purposes	71,554,364
Other Non-Capital Financing Receipts	48,805
Other Non-Capital Financing Payments	(33,146)
Net Cash Flows Provided by Non-Capital Financing Activities	<u>218,399,481</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	3,734,448
Proceeds from Sale of Capital Assets	17,678
Purchases of Capital Assets	(18,764,431)
Principal Paid on Capital Debt and Leases	(9,582,580)
Interest Paid on Capital Debt and Leases	(13,946,854)
Net Cash Used by Capital and Related Financing Activities	<u>(38,541,739)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,687,757
Net Cash Provided by Investing Activities	<u>1,687,757</u>
Net Increase in Cash and Cash Equivalents	12,542,061
Cash and Cash Equivalents, Beginning of Year	<u>109,356,742</u>
Cash and Cash Equivalents, End of Year	<u>\$ 121,898,803</u>

The notes to the financial statements are an integral part of this statement.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Kennesaw State University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (214,364,666)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	32,299,173
Operating Expenses Related to Noncash Gifts	583,551
Change in Assets and Liabilities:	
Receivables, net	(768,785)
Inventories	(198,758)
Prepaid Items	(329,688)
Notes Receivable, Net	42,740
Accounts Payable	3,166,416
Salaries Payable	(615,234)
Retainage Payable	20,349
Deposits	(1,029,310)
Advances (Including Tuition and Fees)	604,807
Other Liabilities	23,971
Compensated Absences	204,822
Due to Affiliated Organizations	(292,207)
Net Pension Liability	14,873,862
Other Post-Employment Benefit Liability	18,302,971
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	16,285,588
Deferred Outflows of Resources	(37,813,040)
Net Cash Used by Operating Activities	<u>\$ (169,003,438)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Noncapital Financing Activities Noncash Items:	
Noncapital Gifts	\$ 583,551
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	\$ 4,997,206
Current Year Accruals Related to Capital Financing Activities	\$ 493,327
Gift of Capital Assets	\$ 435,287
Gain (Loss) on Disposal of Capital Assets	\$ (174,614)
Accrual of Capital Asset Related Payables	\$ 1,645,716
Capital Assets Acquired Through Prepaid Capital	\$ 153,553
Deferred Gain (Loss) due to Debt Refundings	\$ 2,476,522
Early Extinguishment of Capital Debt	\$ 1,031,792
Amortization of Capital Financing Activities Advances and Deferred Inflows	\$ 3,641,327
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	\$ 25,894
Other Noncapital Financing Activities Noncash Items	\$ —
Unrealized Gain (Loss) on Investments	\$ 235,934

The notes to the financial statements are an integral part of this statement.

FINANCIAL

STATEMENTS

NOTES



Kennesaw State University
Convocation Ceremony
August 12, 2018
1:00 p.m.

KENNESAW STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Kennesaw State University (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, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The University does not have the right to sue/be sued without recourse to the State. The University's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the University is not legally separate from the State. Accordingly, the University is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, a discretely presented component unit of the State, as discussed below, has been included since it has been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

Discretely Presented Component Unit

The below organization is a legally separate, tax-exempt component unit of the State. Although the State (primary government) is not fiscally accountable for this entity, it has been determined that the nature and significance of the relationship between the primary government and the below organization is such that exclusion from these departmental financial statements would render them misleading. The below organization met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. The below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following address.

- Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144.

See Component Unit Note for additional information related to the discretely presented component unit.

Basis of Accounting and Financial Statement Presentation

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, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The University's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The adoption of this Statement does not have a significant impact on the University's financial statements.

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 Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. 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 Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund and the Board of Regents Total Return Fund are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

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 whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

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, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, 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 fully understand plant additions in the University, 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, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund of \$2,052,325 represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Advances

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

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the University acting as an agent or fiduciary, for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Position.

Non-current Liabilities

Non-current 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.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB)

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

- a) The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

Net Position

The University's net position is classified as follows:

Net investment in capital assets 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 net investment in capital assets. 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 - non-expendable net position includes endowments 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. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred

to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents 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 or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

The 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 and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

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 non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$53,519,980.

Restatement of Prior Year Net Position

The University made the following restatements:

	Business-type Activities	Discretely Presented Component Units
Net position, beginning of year, as originally reported	\$ 21,909,531	\$ 73,909,602
Correction of prior year errors	<u>4,447,645</u>	<u>—</u>
Net position, beginning of year, restated	<u>\$ 26,357,176</u>	<u>\$ 73,909,602</u>

Correction of prior year errors

For fiscal year 2019, the University increased beginning net position by \$4,447,645 related to the re-evaluation of capital assets leased from the component unit. Certain assets were reclassified to a non-depreciable category which resulted in a decrease in accumulated depreciation.

Special Items

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items.

During the fiscal year, a capital leases with the component unit for a multi-purpose building was amended which extinguished \$1,031,792 in lease purchase obligations.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2019 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$ 121,665,427
Cash and Cash Equivalents (Externally Restricted)	233,376
Non-current - Investments	238,349
Non-current Investments (Externally Restricted)	4,909,576
	<u>\$ 127,046,728</u>

Cash on hand, deposits and investments as of June 30, 2019 consist of the following:

Cash on Hand	\$ 83,032
Deposits with Financial Institutions	63,245,220
Investments	63,718,476
	<u>\$ 127,046,728</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. 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 (O.C.G.A.) § 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. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to an amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2019, the bank balances of the University's deposits totaled \$65,439,217. Of these deposits, \$0 were exposed to custodial credit risk.

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2019.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Equity Securities - Domestic	238,349	\$ 238,349
Investment Pools		
Board of Regents		
Short-Term Fund	58,570,551	
Legal Fund	606,419	
Balanced Income Fund	1,055,208	
Total Return Fund	3,247,949	
Total Investments	\$ 63,718,476	

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's position in the pooled investment fund options are described below.

1. Short-Term Fund

The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2019 was \$58,570,551, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.63 years.

2. Legal Fund

The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2019 was \$606,419, of which 100% is invested in debt securities. The Effective Duration of the Fund is 3.81 years.

3. **Balanced Income Fund**

The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2019 was \$1,055,208, of which 68% is invested in debt securities. The Effective Duration of the Fund is 5.22 years.

4. **Total Return Fund**

The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Total Return Fund at June 30, 2019 was \$3,247,949, of which 29% is invested in debt securities. The Effective Duration of the Fund is 5.14 years.

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 for investments.

Custodial Credit Risk

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

At June 30, 2019, \$0 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

Credit Quality Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing concentration of credit for investments and has no exposure to concentration of credit risk at June 30, 2019.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Exposure to foreign currency credit risk is limited to funds maintained in foreign accounts for the Study Abroad Program. The University does not have a formal policy for managing foreign currency risk and does not have any exposure to foreign currency risk at June 30, 2019.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019:

	<u>Business Type Activities</u>
Student Tuition and Fees	\$ 5,645,812
Auxiliary Enterprises and Other Operating Activities	5,760,451
Federal Financial Assistance	4,444,530
Georgia State Financing and Investment Commission	493,327
Due from Affiliated Organizations	3,118,402
Due from Component Unit	1,324,742
Due From Other USG Institutions	2,063,325
Other	6,897,383
	<u>29,747,972</u>
Less: Allowance for Doubtful Accounts	<u>5,837,675</u>
Net Accounts Receivable	<u><u>\$ 23,910,297</u></u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2019:

Consumable Supplies	\$ 28,678
Merchandise for Resale	<u>3,792,941</u>
Total	<u><u>\$ 3,821,619</u></u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises about half of the loans receivable at June 30, 2019. 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 canceled 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, 2019, the allowance for uncollectible loans was \$0.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2019 are shown below:

	(Restated) Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	\$ 44,287,886			\$ 44,287,886
Capitalized Collections	5,158,373	83,809		5,242,182
Construction Work-in-Progress	10,031,395	11,221,664	8,640,232	12,612,827
Total Capital Assets Not Being Depreciated	59,477,654	11,305,473	8,640,232	62,142,895
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	15,425,057	1,916,677		17,341,734
Building and Building Improvements	831,116,439	6,487,930		837,604,369
Facilities and Other Improvements	9,211,554			9,211,554
Equipment	59,137,938	8,971,062	3,396,505	64,712,495
Library Collections	28,276,855	136,807	368,561	28,045,101
Capitalized Collections	5,968,762			5,968,762
Total Capital Assets Being Depreciated/Amortized	949,136,605	17,512,476	3,765,066	962,884,015
Less: Accumulated Depreciation/Amortization				
Infrastructure	5,706,201	568,357		6,274,558
Building and Building Improvements	285,952,578	24,462,762		310,415,340
Facilities and Other Improvements	4,627,611	379,529		5,007,140
Equipment	40,105,794	6,399,373	3,211,919	43,293,248
Library Collections	26,566,885	343,395	368,565	26,541,715
Capitalized Collections	1,560,544	145,757		1,706,301
Total Accumulated Depreciation/Amortization	364,519,613	32,299,173	3,580,484	393,238,302
Total Capital Assets, Being Depreciated/Amortized, Net	584,616,992	(14,786,697)	184,582	569,645,713
Capital Assets, net	\$ 644,094,646	\$ (3,481,224)	\$ 8,824,814	\$ 631,788,608

The July 2018 balances were restated to reflect a reclassification of certain assets from Building & Building improvements to Land. This restatement resulted in a reduction of buildings and increase in land value of \$7,905,744. This also resulted in an adjustment to depreciation of \$4,447,645

For projects managed by GSFIC, 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, 2019, no capital additions were transferred to the University. In addition, at June 30, 2019, GSFIC had construction in progress of approximately \$2,283,376 for incomplete GSFIC managed projects for the University.

A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2019	\$ 32,299,173
2018	\$ 32,138,956
2017	\$ 31,884,881

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2019:

	Current Liabilities	Non-Current Liabilities
Prepaid Tuition and Fees	\$ 16,981,588	\$ —
Other - Advances	2,268,632	—
Totals	<u>\$ 19,250,220</u>	<u>\$ —</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Leases					
Lease Purchase Obligations	283,044,351	—	13,090,895	269,953,456	9,909,419
Other Liabilities					
Compensated Absences	11,558,508	9,331,264	9,126,441	11,763,331	9,022,120
Total	11,558,508	9,331,264	9,126,441	11,763,331	9,022,120
Total Long-Term Obligations	<u>\$ 294,602,859</u>	<u>\$ 9,331,264</u>	<u>\$ 22,217,336</u>	<u>\$ 281,716,787</u>	<u>\$ 18,931,539</u>

See note 14, Retirement Plans for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for more information related to net other post employment benefits liability.

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2019, consisted of the following:

Deferred Outflows of Resources

Deferred Outflow on Debt Refunding	\$ 865,557
Deferred Outflow on Defined Benefit Pension Plans (See Note 14)	57,865,771
Deferred Outflow on OPEB Plan (See Note 17)	38,257,890
Total Deferred Outflows of Resources	<u>\$ 96,989,218</u>

Deferred Inflows of Resources

Deferred Inflow on Debt Refunding	\$ 2,358,593
Deferred Service Concession Arrangements	56,970,318
Deferred Inflow on Defined Benefit Pension Plans (See Note 14)	5,500,942
Deferred Inflow on OPEB Plan (See Note 17)	29,691,374
Total Deferred Inflows of Resources	<u>\$ 94,521,227</u>

Deferred Outflow/Inflow on Debt Refunding

The unamortized Deferred Outflow on Debt Refunding at year end, related to refunding on two residence halls and a parking deck is \$865,557. The unamortized Deferred Inflow on Debt refunding of \$2,358,593 relates to the funding on housing and dining facilities

Unavailable Revenues

Resources from certain non-exchange transactions received before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred inflow of resources.

Service Concessions Arrangements

At June 30, 2019, Kennesaw State University (KSU) was a participant in four Service Concession Arrangements.

In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June 2031.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

In July 2017, KSU entered into a lease agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront, but will take full ownership of the equipment and lease improvements at the end of the operating agreement in June 2027.

At June 30, 2019, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$56,970,318. For fiscal year 2019, the University reported a remaining deferred inflows of resources of \$56,970,318 and amortized revenue of \$3,641,327.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2019 is as follows:

Net Investment in Capital Assets	\$ 301,726,082
Restricted for	
Nonexpendable	
Permanent Endowment	4,830,599
Expendable	
Sponsored and Other Organized Activities	1,002,175
Federal Loans	726,052
Institutional Loans	105,101
Sub-Total	1,833,328
Unrestricted	
Auxiliary Enterprises Operations	30,530,021
Auxiliary Enterprises Renewals and Replacement Reserve	9,901,867
Reserve for Encumbrances	46,062,975
Capital Liability Reserve Fund	2,052,325
Other Unrestricted (Deficit)	(367,906,992)
Sub-Total	(279,359,804)
Total Net Position	\$ 29,030,205

Other unrestricted net position is reduced by \$255,921,086 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to OPEB plan. Other unrestricted net position was also reduced by \$129,891,973 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources related to benefit pension plans. These OPEB and pension balances are mostly funded through state appropriations and student tuition and fees and are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

In fiscal year 2019, the University reclassified certain assets from depreciating to non-depreciating resulting in a decrease in accumulated amortization and an increase in opening net position by \$4,447,645.

Changes in Net Position for the year ended June 30, 2019 are as follows:

	(Restated)			
	Balance			Balance
	July 1, 2018	Additions	Reductions	June 30, 2019
Net Investments in Capital Assets	\$ 300,565,007	\$ 36,909,940	\$ 35,748,865	\$ 301,726,082
Restricted Net Position	6,125,066	87,189,207	86,650,346	6,663,927
Unrestricted Net Position	(280,332,897)	464,995,865	464,022,772	(279,359,804)
Total Net Position	\$ 26,357,176	\$ 589,095,012	\$ 586,421,983	\$ 29,030,205

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2019. In addition to these encumbrances, the University had other significant unearned outstanding construction or renovation contracts in the amount of \$377,146 executed as of June 30, 2019.

Note 13 Leases

Lease Obligations

The University is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest cash payments related to capital leases for fiscal year 2019 were \$9,582,580 and \$13,946,854, respectively. Interest rates range from 3.1% to 12.7%.

The University has \$219,778,163 in outstanding lease obligations due to a component unit.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2019:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2019	Outstanding Balance per Lease Schedules at June 30, 2019
	(+)	(-)	(=)	
Leased Land and Land Improvements	\$ 26,614,458	\$ —	\$ 26,614,458	\$ 20,608,136
Leased Buildings and Building Improvements	322,017,993	120,607,959	201,410,034	249,345,320
Total Assets Held Under Capital Lease	<u>\$ 348,632,451</u>	<u>\$ 120,607,959</u>	<u>\$ 228,024,492</u>	<u>\$ 269,953,456</u>

The following schedule lists the pertinent information for each of the University's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
Frey Lake Road Houses	KSU Foundation	\$ 2,907,645	12 years	October 2015	June 2027	\$ 2,087,677
East & West Parking Decks	KSU Foundation	12,658,233	11 years	October 2015	Jun, 2026	8,556,135
Building Complex	KSU Foundation	1,747,658	19 years	June 2017	June 2036	1,474,834
Building Complex	KSU Foundation	4,054,414	19 years	June 2017	June 2036	3,934,984
North Parking Deck	KSU Foundation	10,435,200	14 years	October 2015	June 2029	7,715,536
Office Building	KSU Foundation	10,048,029	15 years	October 2015	June 2030	8,023,654
Classroom Building	KSU Foundation	953,858	24years	November 2006	August 2030	611,453
Central Parking Deck	KSU Foundation	28,528,584	21 years	February 2017	June 2038	26,467,899
Clinic	KSU Foundation	685,000	26 years	July 2010	June 2036	540,683
Dining Hall Facility	KSU Foundation	17,012,109	22 years	February 2017	June 2039	16,094,160
Sports Complex	KSU Foundation	61,884,585	23 years	December 2017	June 2040	60,344,267
Student Housing	KSU Foundation	26,768,863	29 years	August 2012	June 2041	25,320,203
Student Recreation Center	KSU Foundation	43,053,851	28 years	July 2014	June 2042	40,453,476
Commons Housing	KSU Foundation	8,742,600	14 years	June 2013	June 2027	5,665,520
Courtyard Housing	KSU Foundation	18,387,400	16 years	June 2013	June 2029	12,487,683
Parking Deck	USG Real Estate Foundation	17,323,738	25 years	June 2015	June 2040	16,244,919
Housing / Dining (1)	USG Real Estate Foundation	34,019,686	20 years	March 2019	June 2039	33,930,373
Total Leases		<u>299,211,453</u>				<u>269,953,456</u>

All of the above capital leases are with a related party.

(1) March 2019, USG Real Estate Foundation, Inc. refunded the bonds associated with this lease and the lease was amended to pass the savings to the University. As a result lease obligations were reduced by \$2,476,522.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal year 2019 was \$1,424,051, which includes payments to related parties of \$0. The University is obligated to pay these related parties a total of \$0 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2020	\$ 25,764,709	\$ 317,389
2021	26,404,943	177,118
2022	26,458,826	136,015
2023	26,525,753	97,573
2024	26,581,924	7,757
2025 through 2029	125,600,800	
2030 through 2034	101,233,436	
2035 through 2039	96,062,075	
2040 through 2044	18,746,254	
Total Minimum Lease Payments	473,378,720	\$ 735,852
Less: Interest	157,896,333	
Less: Executory Costs	45,528,931	
Principal Outstanding	\$ 269,953,456	

Note 14. Retirement Plans

The University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

The University also provided the Regents Retirement Plan.

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2019. The University's contractually required contribution rate for the year ended June 30, 2019 was 20.85% of annual the University payroll. The University's contributions to TRS totaled \$25,259,080 for the year ended June 30, 2019.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. 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.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$96,890 for the year ended June 30, 2019. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2018. At June 30, 2018, the University's TRS proportion was 0.980684%, which was an increase of 0.081830% from its proportion measured as of June 30, 2017. At June 30, 2018, the University's ERS proportion was 0.005372%, which was a decrease of (0.002708)% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$23,970,187 for TRS and \$17,699 for ERS. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,051,037	\$ 375,180	\$ 6,869	\$ —
Changes of assumptions	2,746,857	—	10,405	—
Net difference between projected and actual earnings on pension plan investments	—	4,977,216	—	5,089
Changes in proportion and differences between contributions and proportionate share of contributions	17,682,234	76,503	12,399	66,954
Contributions subsequent to the measurement date	25,259,080	—	96,890	—
Total	\$ 57,739,208	\$ 5,428,899	\$ 126,563	\$ 72,043

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2020	\$ 14,689,361	\$ (12,845)
2021	\$ 9,753,226	\$ (18,792)
2022	\$ (714,559)	\$ (8,460)
2023	\$ 2,867,489	\$ (2,273)
2024	\$ 455,712	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives	—%	5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.50% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the above discount rates, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 303,870,135	\$ 182,035,957	\$ 81,638,393

Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	\$ 314,119	\$ 220,845	\$ 141,372

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at trsga.com/publications and ers.ga.gov/financials, respectively.

B. Defined Contribution Plan:

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 administered by the Board of Regents of the University System of Georgia (Board). 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 all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, 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

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2019, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$8,792,732 (9.24%) and \$5,709,134 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

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.

The University 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 O.C.G.A § 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 16 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 expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University, 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, 2019.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The University's membership in the Plan consisted of the following at June 30, 2019:

Active Employees	3,364
Retirees or Beneficiaries Receiving Benefits	733
Retirees Receiving Life Insurance Only	123
Total	4,220

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2019 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium 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 retiree.

For fiscal year 2019, the University contributed \$9,940,821 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2018. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the University's proportion was 5.99643%, which was an increase of 0.162292% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized OPEB expense of \$22,958,287. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,443,287	\$ —
Changes of assumptions	—	29,691,374
Net difference between projected and actual earnings on OPEB plan investments	56,434	—
Changes in proportion and differences between contributions and proportionate share of contributions	9,817,348	—
Contributions subsequent to the measurement date	9,940,821	—
Total	<u>\$ 38,257,890</u>	<u>\$ 29,691,374</u>

The University's contributions subsequent to the measurement date of \$9,940,821 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2020	\$	(653,909)
2021	\$	(653,909)
2022	\$	(653,909)
2023	\$	(589,954)
2024	\$	650,483
Thereafter	\$	526,893

Actuarial assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of May 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2018 3.87% from Bond Buyer Index Interest Rate as of 6/30/2017 3.58% from Bond Buyer Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Growth 4.00%
Mortality Rates	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	1.10%	70%
Equity Allocation	3.98%	30%

Discount rate

The Plan's projected fiduciary net position at the end of 2022 is \$0, based on the valuation completed for the fiscal year ending June 30, 2018. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2022. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.87% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate (3.87%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Proportionate Share of the Net OPEB Liability	\$ 315,550,149	\$ 264,487,602	\$ 224,551,928

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 223,030,315	\$ 264,487,602	\$ 319,033,973
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2019 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 108,144,800	\$ 15,706,196	\$ 46,973,458	\$ 632,274	\$ 1,889,782
Research	423,350	517,219	143,908	—	116,712
Public Service	526,348	6,004,147	2,145,886	17,816	266,201
Academic Support	11,673,895	25,637,044	11,434,700	34,230	456,688
Student Services	695,332	20,222,608	7,272,846	41,283	276,042
Institutional Support	1,121,946	18,680,284	13,295,961	807,791	176,352
Plant Operations and Maintenance	—	11,966,315	5,045,055	—	47,383
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	—	19,980,603	7,056,958	264,483	354,764
Total Operating Expenses	\$ 122,585,671	\$ 118,714,416	\$ 93,368,772	\$ 1,797,877	\$ 3,583,924

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 434,171	\$ 410,582	\$ 9,622,574	\$ 2,961,161	\$ 186,774,998
Research	12,415	—	548,977	35,196	1,797,777
Public Service	107,667	52,210	2,960,938	73,274	12,154,487
Academic Support	13,250	207,251	16,871,735	2,823,323	69,152,116
Student Services	519,662	755,648	4,679,976	3,623,940	38,087,337
Institutional Support	—	313,353	13,081,268	2,784,393	50,261,348
Plant Operations and Maintenance	—	6,324,119	24,990,060	7,772,542	56,145,474
Scholarships and Fellowships	27,413,877	—	—	—	27,413,877
Auxiliary Enterprises	4,265,843	4,640,301	44,825,291	12,225,344	93,613,587
Total Operating Expenses	\$ 32,766,885	\$ 12,703,464	\$ 117,580,819	\$ 32,299,173	\$ 535,401,001

Note 19 Subsequent Event

In fiscal year 2020, Kennesaw State University Foundation, Inc. transferred title of a multi-purpose building and surrounding land to the University. The property was previously the subject of a capital lease that expired on June 30, 2019.

During a Board of Regents meeting on August 8, 2019 the Board approved transferring approximately 54.6 acres of real property located at 659 Mount Pleasant Road, Rydal to Bartow County. The County and The Etowah Valley Historical Society will assume responsibility for preservation and operation of the Property. KSU would realize a one-time savings of approximately \$339,000 related to deferred maintenance and repair it would no longer need to perform. In addition, KSU estimates approximately \$58,000 in annual savings associated with routine maintenance, utilities, and staffing requirements that would be eliminated by the transfer.

Note 20 Component Unit

Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. 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 KSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2019, the KSUF distributed approximately \$7,571,934 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

In FY 2019, KSUF entered into a Memorandum of Understanding (MOU) with the University to manage the operations of the Foundation owned housing for a management fee. The budgeted dollar amount as well as the management fee received from Foundation was accounted as Other Grants and Contract revenues by the University offset by the expenses incurred by University to manage the housing.

Component unit's investments are comprised of the following amounts at June 30, 2019:

Investment type	<u>Fair Value</u>
Debt Securities	
U.S. Agencies	
Implicitly Guaranteed	4,224,368
Corporate Debt	20,643,755
Money Market Mutual Funds	5,585,822
Mutual Bond Funds	876,346
Other Investments	
Equity Mutual Funds - Domestic	6,227,133
Equity Mutual Funds - International	1,824,387
Equity Securities - Domestic	22,471,046
Equity Securities - International	3,120,347
Real Estate Investment Trusts	1,363,830
Total Investments	<u>\$ 66,337,034</u>

Component unit's endowments are comprised of the following amounts at June 30, 2019:

	<u>Unrestricted/ Quasi Endowment</u>	<u>Temporarily Restricted/ Term Endowment</u>	<u>Permanently Restricted/ True Endowment</u>	<u>Total</u>
Beginning	\$ (71,374)	\$ 8,740,457	\$ 35,783,710	\$ 44,452,793
Contributions	—	177,335	1,832,854	2,010,189
Net realized and unrealized gains	71,374	1,720,723	—	1,792,097
Appropriation of endowment assets for expenditure	—	(1,179,819)	—	(1,179,819)
Transfers to comply with donor intent	—	(25,327)	415,409	390,082
Ending	<u>\$ —</u>	<u>\$ 9,433,369</u>	<u>\$ 38,031,973</u>	<u>\$ 47,465,342</u>

Amounts due to component unit related to direct financing lease activity as of June 30, 2019 is as follows:

Year Ending June 30:	Year:	
2020	1	\$ 19,603,734
2021	2	20,179,849
2022	3	20,184,231
2023	4	20,194,086
2024	5	19,624,731
2025 through 2029	6-10	93,630,215
2030 through 2034	11-15	70,678,430
2035 through 2039	16-20	66,618,873
2040 through 2044	21-25	16,441,777
Total Minimum Lease Payments to be Received		<u>347,155,926</u>
Less: Unearned Income		<u>(127,377,746)</u>
Net Investment in Direct Financing Lease Receivable		<u>\$ 219,778,180</u>

Component unit's capital assets are comprised of the following amounts at June 30, 2019:

Capital Assets not being Depreciated:	
Land	\$ 5,379,522
Capitalized Collections	553,650
Total Capital Assets not being Depreciated	<u>5,933,172</u>
Capital Assets being Depreciated:	
Building and Building Improvements	135,765,920
Equipment	12,634,543
Software	82,581
Total Capital Assets being Depreciated/Amortized	<u>148,483,044</u>
Less Total Accumulated Depreciation/Amortization	<u>71,610,634</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>76,872,410</u>
Capital Assets, Net	<u>\$ 82,805,582</u>

Component unit's long-term liabilities are comprised of the following amounts at June 30, 2019:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts due within One Year
Liabilities under Split Interest Agreement	\$ 91,723	\$ —	\$ 88,908	\$ 2,815	\$ 550
Revenue/Mortgage Bonds Payable	363,005,000	—	12,715,000	350,290,000	12,575,000
Bond - Premium	17,689,582	—	2,949,862	14,739,720	—
Bond - (Discount and Issuance Cost)	(5,598,519)	—	(493,754)	(5,104,765)	—
Total Long Term Liabilities	<u>\$ 375,187,786</u>	<u>\$ —</u>	<u>\$ 15,260,016</u>	<u>\$ 359,927,770</u>	<u>\$ 12,575,550</u>

Component unit's bonds payable are comprised of the following amounts at June 30,2019:

	Principal	Interest	Total
Year ending June 30:			
2020	\$ 12,575,000	\$ 15,684,941	\$ 28,259,941
2021	13,320,000	15,089,344	28,409,344
2022	14,465,000	14,472,427	28,937,427
2023	15,110,000	13,818,600	28,928,600
2024	15,905,000	13,101,968	29,006,968
2025 through 2029	90,515,000	54,024,627	144,539,627
2030 through 2034	81,675,000	35,232,213	116,907,213
2035 through 2039	81,595,000	15,041,816	96,636,816
2040 through 2044	25,130,000	1,635,217	26,765,217
2045 through 2049			0
2050 through 2054			0
2055 through 2059			0
	350,290,000	178,101,153	528,391,153
Bond Premium	14,739,720		14,739,720
Bond (Discount)	(5,104,765)		(5,104,765)
	<u>\$ 359,924,955</u>	<u>\$178,101,153</u>	<u>\$ 538,026,108</u>



REQUIRED

SUPPLEMENTARY

INFORMATION

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2019	\$ 96,890	\$ 96,890	\$ —	\$ 329,046	29.45%
	6/30/2018	\$ 33,651	\$ 33,651	\$ —	\$ 137,017	24.56%
	6/30/2017	\$ 49,098	\$ 49,098	\$ —	\$ 198,195	24.77%
	6/30/2016	\$ 39,126	\$ 39,126	\$ —	\$ 158,275	24.72%
	6/30/2015	\$ 23,268	\$ 23,268	\$ —	\$ 105,956	21.96%
	6/30/2014	\$ 31,308	\$ 31,308	\$ —	\$ 169,321	18.49%
	6/30/2013	\$ 19,697	\$ 19,697	\$ —	\$ 132,193	14.90%
	6/30/2012	\$ 21,502	\$ 21,502	\$ —	\$ 184,884	11.63%
	6/30/2011	\$ 18,239	\$ 18,239	\$ —	\$ 175,207	10.41%
	6/30/2010	\$ 13,907	\$ 13,907	\$ —	\$ 133,593	10.41%
Teachers' Retirement System	6/30/2019	\$ 25,259,080	\$ 25,259,080	\$ —	\$ 121,159,582	20.85%
	6/30/2018	\$ 19,646,648	\$ 19,646,648	\$ —	\$ 116,891,631	16.81%
	6/30/2017	\$ 14,757,957	\$ 14,757,957	\$ —	\$ 103,247,814	14.29%
	6/30/2016	\$ 13,576,004	\$ 13,576,004	\$ —	\$ 95,179,702	14.26%
	6/30/2015	\$ 11,607,133	\$ 11,607,133	\$ —	\$ 88,267,171	13.15%
	6/30/2014	\$ 8,326,658	\$ 8,326,658	\$ —	\$ 66,613,266	12.50%
	6/30/2013	\$ 7,777,316	\$ 7,777,316	\$ —	\$ 68,172,439	11.41%
	6/30/2012	\$ 6,932,081	\$ 6,932,081	\$ —	\$ 67,432,695	10.28%
	6/30/2011	\$ 6,425,378	\$ 6,425,378	\$ —	\$ 62,503,677	10.28%
	6/30/2010	\$ 5,761,703	\$ 5,761,703	\$ —	\$ 59,155,062	9.74%

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FIVE FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2019	0.005372%	\$ 220,845	\$ 137,017	161.18%	76.68%
	6/30/2018	0.008080%	\$ 328,156	\$ 198,195	165.57%	76.33%
	6/30/2017	0.006807%	\$ 322,000	\$ 158,275	203.44%	72.34%
	6/30/2016	0.004634%	\$ 187,742	\$ 105,956	177.19%	76.20%
	6/30/2015	0.007352%	\$ 282,497	\$ 169,321	166.84%	77.99%
Teachers Retirement System	6/30/2019	0.980684%	\$ 182,035,957	\$ 116,891,631	155.73%	80.27%
	6/30/2018	0.898854%	\$ 167,054,784	\$ 103,247,814	161.80%	79.33%
	6/30/2017	0.866499%	\$ 178,768,405	\$ 95,179,702	187.82%	76.06%
	6/30/2016	0.835486%	\$ 127,194,447	\$ 88,267,171	144.10%	81.44%
	6/30/2015	0.823564%	104,046,449	66,613,266	156.19%	84.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Changes of assumptions

Employees' Retirement System:

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

Teachers Retirement System:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST THREE YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2019	\$ 9,940,821	\$ 9,940,821	\$ —	219,848,409	4.52%
6/30/2018	\$ 9,499,540	\$ 9,499,540	\$ —	\$ 211,487,878	4.49%
6/30/2017	\$ 5,809,862	\$ 5,809,862	\$ —	\$ 192,024,215	3.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
 BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
 FOR THE LAST TWO YEARS***

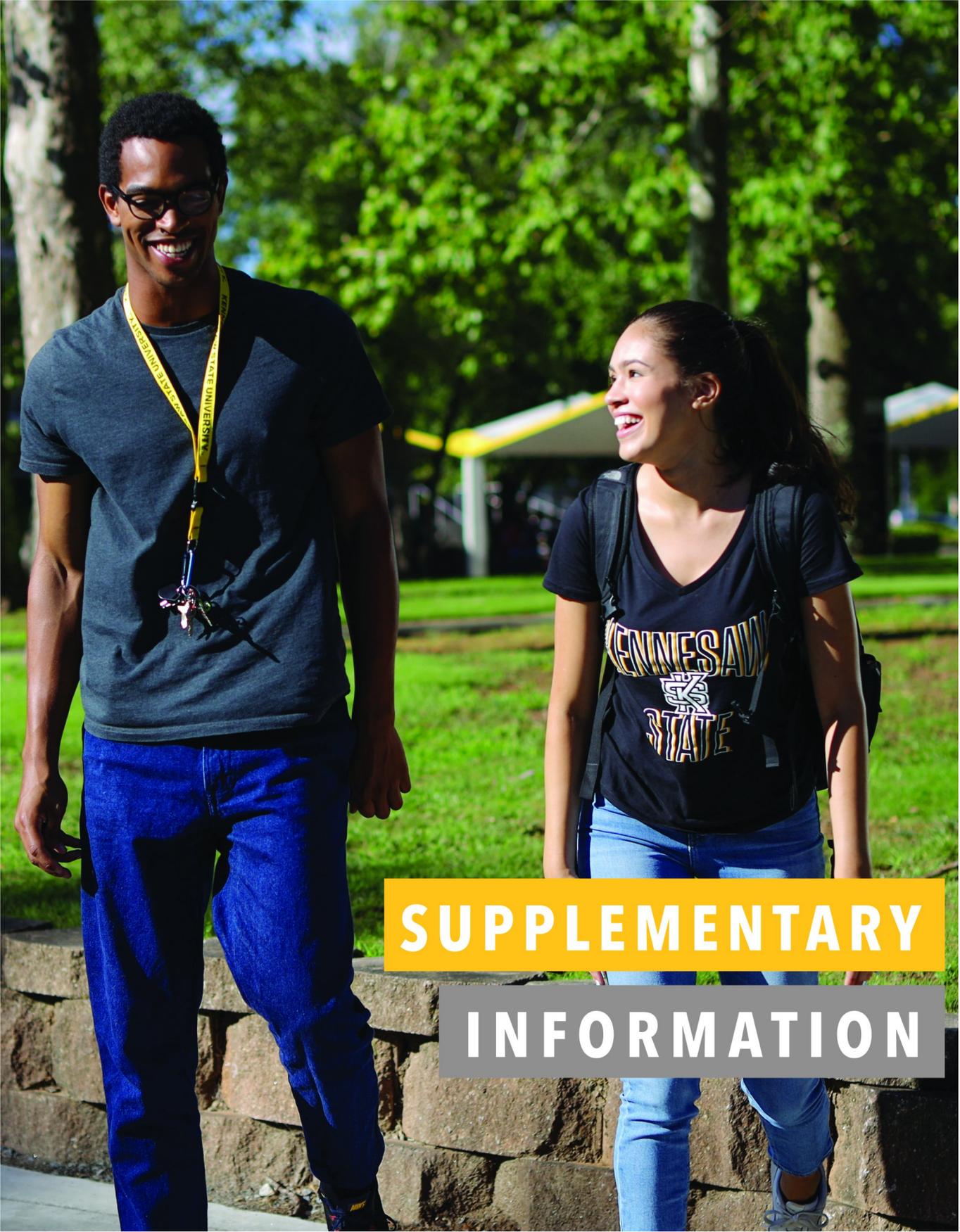
Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2019	5.996430%	\$ 264,487,602	\$ 211,487,878	125.06%	1.69%
6/30/2018	5.834138%	\$ 246,184,631	\$ 192,024,215	128.20%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.



SUPPLEMENTARY

INFORMATION

**KENNESAW STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2019
(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$ 74,606,398.48
Investments	101,030.34
Accounts Receivable	
Federal Financial Assistance	5,412,031.40
Other	13,849,940.28
Prepaid Expenditures	701,464.04
Inventories	28,678.03
Other Assets	11,000.00
	<hr/>
Total Assets	<u>\$ 94,710,542.57</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$ 1,155,376.49
Encumbrance Payable	42,613,745.71
Accounts Payable	5,990,452.06
Unearned Revenue	15,033,038.72
Other Liabilities	80,000.00
	<hr/>
Total Liabilities	<u>64,872,612.98</u>

Fund Balances

Reserved	
Department Sales and Services	12,842,158.05
Indirect Cost Recoveries	2,669,258.44
Technology Fees	4,287,526.67
Restricted/Sponsored Funds	363,242.93
Uncollectible Accounts Receivable	3,479,737.14
Tuition Carry - Forward	5,108,978.70
Unreserved	
Surplus	1,087,027.66
	<hr/>
Total Fund Balances	<u>29,837,929.59</u>
Total Liabilities and Fund Balances	<u>\$ 94,710,542.57</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ 889,535.00	\$ 889,535.00	\$ 889,535.00	\$ 889,535.00	\$ —
Teaching					
State Appropriation					
State General Funds	148,941,534.00	149,034,084.00	149,144,538.00	149,144,538.00	—
Other Funds	308,133,438.00	308,133,438.00	342,119,389.00	317,739,853.45	20,047,718.25
Total Teaching	457,074,972.00	457,167,522.00	491,263,927.00	466,884,391.45	20,047,718.25
Total Operating Activity	\$ 457,964,507.00	\$ 458,057,057.00	\$ 492,153,462.00	\$ 467,773,926.45	\$ 20,047,718.25

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers of Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ 889,535.00	\$ —	\$ 889,535.00	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	149,144,538.00	—	148,959,169.99	185,368.01	185,368.01
Other Funds	—	337,787,571.70	(4,331,817.30)	312,527,030.94	29,592,358.06	25,260,540.76
Total Teaching	—	486,932,109.70	(4,331,817.30)	461,486,200.93	29,777,726.07	25,445,908.77
Total Operating Activity	\$ —	\$ 487,821,644.70	\$ (4,331,817.30)	\$ 462,375,735.93	\$ 29,777,726.07	\$ 25,445,908.77

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching					
State Appropriation					
State General Funds	22,896.08	—	(22,896.08)	798,475.51	—
Other Funds	20,047,718.25	(20,047,718.25)	—	1,097,926.06	(44,444.09)
Total Teaching	<u>20,070,614.33</u>	<u>(20,047,718.25)</u>	<u>(22,896.08)</u>	<u>1,896,401.57</u>	<u>(44,444.09)</u>
Total Operating Activity	<u>20,070,614.33</u>	<u>(20,047,718.25)</u>	<u>(22,896.08)</u>	<u>1,896,401.57</u>	<u>(44,444.09)</u>
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	3,435,293.05				44,444.09
Budget Unit Totals	<u>\$ 23,505,907.38</u>	<u>\$ (20,047,718.25)</u>	<u>\$ (22,896.08)</u>	<u>\$ 1,896,401.57</u>	<u>\$ —</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Early Return of Fiscal Year 2019 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance			
				Reserved	Surplus/(Deficit)	Total	
Public Service / Special Funding Initiatives							
State Appropriation							
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Teaching							
State Appropriation							
State General Funds	(36,305.84)	185,368.01	947,537.68	—	947,537.68	947,537.68	
Other Funds	(903,367.96)	25,260,540.76	25,410,654.77	25,271,164.79	139,489.98	25,410,654.77	
Total Teaching	(939,673.80)	25,445,908.77	26,358,192.45	25,271,164.79	1,087,027.66	26,358,192.45	
Total Operating Activity	(939,673.80)	25,445,908.77	26,358,192.45	25,271,164.79	1,087,027.66	26,358,192.45	
Prior Year Reserves							
Not Available for Expenditure							
Uncollectible Accounts Receivable			3,479,737.14	3,479,737.14		3,479,737.14	
Budget Unit Totals	\$ (939,673.80)	\$ 25,445,908.77	\$ 29,837,929.59	\$ 28,750,901.93	\$ 1,087,027.66	\$ 29,837,929.59	
				Departmental Sales and Services	\$ 12,842,158.05	\$ —	\$ 12,842,158.05
				Indirect Cost Recovery	2,669,258.44	—	2,669,258.44
				Technology Fees	4,287,526.67	—	4,287,526.67
				Restricted/Sponsored Funds	363,242.93	—	363,242.93
				Tuition Carry-Forward	5,108,978.70	—	5,108,978.70
				Uncollectible Accounts Receivable	3,479,737.14	—	3,479,737.14
				Surplus	—	1,087,027.66	1,087,027.66
					\$ 28,750,901.93	\$ 1,087,027.66	\$ 29,837,929.59

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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KENNESAW STATE
UNIVERSITY

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