Fiscal Year 2017 Financial Update

Claire Arnold, Associate Vice Chancellor, Accounting and Reporting
January 2018
Information Item #1:

Financial Engagement Results
For Fiscal Year Ended June 30, 2017
Engagements

Georgia Department of Audits (DOAA) Audits
• Augusta University
• Georgia Institute of Technology
• Georgia State University
• Kennesaw State University
• University of Georgia
• University System of Georgia

Full Disclosure Management Reports
• Abraham Baldwin Agricultural College(*)
• Albany State University(*)
• Armstrong State University(*)
• Atlanta Metropolitan State College(*)
• Bainbridge State College(*)
• College of Coastal Georgia(*)
• Georgia Southern University(*)

Agreed Upon Procedures Engagement
• Clayton State University

Warren Averett Review
• Fort Valley State University

Mauldin & Jenkins Agreed Upon Procedures Engagements
• Gordon State College
• Savannah State University

USG Internal Audits
• Columbus State University
• Dalton State College
• East Georgia State College
• Georgia College & State University
• Georgia Gwinnett College
• Georgia Highlands College
• Georgia Southwestern State University
• Middle Georgia State University
• South Georgia College
• University of North Georgia
• Valdosta State University

(*) Student Financial Aid Compliance Testing Conducted
Results – DOAA Engagements

No Findings –

Abraham Baldwin Agricultural College
Augusta University
College of Coastal Georgia
Georgia Institute of Technology
Georgia Southern University
Georgia State University
Kennesaw State University
University of Georgia
Results – DOAA Engagements

Atlanta Metropolitan State College

- Controls over Financial Reporting – Material Weakness
- Internal Controls over Capital Assets – Material Weakness
- Excessive Cash Balances – Significant Deficiency
- Overpayment of Student Financial Assistance – Material Weakness
- Reports Not Reconciled – Significant Deficiency
- Return of Title IV Funds – Significant Deficiency
- Failure of Reconcile Federal Direct Loan Program – Material Weakness
Results – DOAA Engagements

Albany State University
   Excessive Cash Balances – Significant Deficiency

Armstrong State University
   Monitoring of Logical Access – Material Weakness

Bainbridge State College
   Excessive Cash Balances – Significant Deficiency

University System of Georgia
   OPEB Calculation Error – Significant Deficiency
FINANCIAL STATEMENT FINDINGS

- Material Weakness
- Significant Deficiency

FY 2017: 2 (Material Weakness), 1 (Significant Deficiency)
FY 2016: 4 (Material Weakness), 3 (Significant Deficiency)
FY 2015: 4 (Material Weakness)
FY 2014: 6 (Material Weakness)
FY 2013: 3 (Material Weakness), 2 (Significant Deficiency)
FY 2012: 6 (Material Weakness), 10 (Significant Deficiency)
FEDERAL FINANCIAL AID FINDINGS

<table>
<thead>
<tr>
<th>Year</th>
<th>Material Weakness</th>
<th>Significant Deficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>FY 2016</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>FY 2015</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>FY 2014</td>
<td>2</td>
<td>23</td>
</tr>
<tr>
<td>FY 2013</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>
Results – DOAA Engagements

23 Management Letter Comments
- Albany State University (8)
- Armstrong State University (1)
- Atlanta Metropolitan State College (6)
- Augusta University – None
- Bainbridge State College (5)
- Coastal College of Georgia (2)
- Georgia Institute of Technology – None
- Georgia Southern University – None
- Georgia State University – None
- Kennesaw State University – None
- University of Georgia – None
- University System of Georgia (1)

Agreed Upon Procedures Items Identified
- Clayton State University (5)
Results – External Engagements

Review:
• Fort Valley State University

Agreed Upon Procedures Engagements
• Gordon State College - 2 Exceptions Noted
• Savannah State University – 4 Exceptions Noted
Results – Internal Audits Engagements

• Columbus State University – 1 Exception
• Dalton State College – No Exceptions
• East Georgia State College – 3 Exceptions
• Georgia College & State University – 3 Exceptions
• Georgia Gwinnett College – 2 Exceptions
• Georgia Highlands College – 4 Exceptions
• Georgia Southwestern State University – No exceptions
• Middle Georgia State University – 5 Exceptions
• South Georgia College – 1 Exception
• University of North Georgia – No Exceptions
• Valdosta State University – 1 Exception
Fiscal Affairs Corrective Action Plan Efforts

• Exit Conferences
• Deficiency Analysis
• Review of all corrective action plans (CAPS)
• CAP Meetings with each individual that received findings
• Coordinated technical assistance for institutions
• Training focused on deficiency analysis
  – Mid-Year Financial Workshop
  – Year End Financial Statement Workshop
  – SFA Training
Information Item #2:

University System of Georgia
Consolidated Annual Financial Report
For Fiscal Year Ended June 30, 2017
## CONDENSED STATEMENT OF NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>June 30, 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$2,172,184,004</td>
<td>$2,182,073,507</td>
<td>(0.45)%</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>9,962,908,062</td>
<td>9,714,556,337</td>
<td>2.56%</td>
</tr>
<tr>
<td>Other Assets</td>
<td>480,893,886</td>
<td>331,144,746</td>
<td>45.22%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>12,615,985,952</td>
<td>12,227,774,590</td>
<td>3.17%</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>889,122,408</td>
<td>349,131,299</td>
<td>154.67%</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>882,875,681</td>
<td>858,090,200</td>
<td>2.89%</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>8,800,064,037</td>
<td>7,841,446,870</td>
<td>12.23%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>9,682,939,718</td>
<td>8,699,537,070</td>
<td>11.30%</td>
</tr>
<tr>
<td><strong>DEFERRED INFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>729,574,530</td>
<td>771,299,183</td>
<td>(5.41)%</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>6,627,744,225</td>
<td>6,428,995,230</td>
<td>3.09%</td>
</tr>
<tr>
<td>Restricted, Non-Expendable</td>
<td>193,258,875</td>
<td>181,152,225</td>
<td>6.68%</td>
</tr>
<tr>
<td>Restricted, Expendable</td>
<td>249,285,321</td>
<td>258,325,439</td>
<td>(3.50)%</td>
</tr>
<tr>
<td>Unrestricted (Deficit)</td>
<td>(3,977,694,309)</td>
<td>(3,762,403,258)</td>
<td>(5.72)%</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$3,092,594,112</td>
<td>$3,106,069,636</td>
<td>(0.43)%</td>
</tr>
</tbody>
</table>
## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>June 30, 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$5,100,949,696</td>
<td>$4,942,578,920</td>
<td>3.20%</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>8,012,168,406</td>
<td>7,563,231,051</td>
<td>5.94%</td>
</tr>
<tr>
<td>Operating Income/Loss</td>
<td>(2,911,218,710)</td>
<td>(2,620,652,131)</td>
<td>11.09%</td>
</tr>
<tr>
<td>Non-Operating Revenue and Expense</td>
<td>2,715,233,106</td>
<td>2,573,877,693</td>
<td>5.49%</td>
</tr>
<tr>
<td>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Special Items</td>
<td>(195,985,604)</td>
<td>(46,774,438)</td>
<td>319.00%</td>
</tr>
<tr>
<td>Other Revenues, Expenses, Gains, Losses and Special Items</td>
<td>253,795,618</td>
<td>216,219,773</td>
<td>17.38%</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>57,810,014</td>
<td>169,445,335</td>
<td>(65.88)%</td>
</tr>
<tr>
<td>Net Position at beginning of year, restated</td>
<td>3,034,784,098</td>
<td>2,936,624,301</td>
<td>3.34%</td>
</tr>
<tr>
<td>Net Position at End of Year</td>
<td>$3,092,594,112</td>
<td>$3,106,069,636</td>
<td>(0.43)%</td>
</tr>
</tbody>
</table>
Revenue by Source (in millions)
Total $8.2 Billion

- Tuition and Fees: $2,056
- Grants and Contracts: $2,381
- State Appropriations: $2,150
- Gifts: $310
- Auxiliaries: $901
- Other: $434
Operating Expenses

- Supplies & Other Services: 26.4%
- Staff Salaries: 25.6%
- Faculty Salaries: 20.2%
- Depreciation: 6.1%
- Scholarships & Fellowships: 3.9%
- Travel: 1.0%
- Other Personal Services: 0.2%
- Employee Benefits: 14.4%
- Utilities: 2.2%
Annual Financial Report Overview

- Highlight Section
- Presentation Changes
- OPEB Obligation increased $260 m
- Defined Benefit Pension Plan increased $851 m
- Net Position (Overall) decreased $13 m