Kennesaw State University

2016 Annual Financial Report

for the Fiscal Year Ended June 30, 2016
(Including Independent Auditor's Report)

KENNESAW STATE UNIVERSITY

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President's Message

Kennesaw State has made remarkable advances during the past several years, and it continued its upward trajectory during Fiscal Year 2015-2016. Two years after its designation as one of the University System of Georgia's comprehensive universities, Kennesaw State remains committed to the goal of becoming an academic world-class institution.

The past year brought the retirement of Daniel S. Papp as the third president of Kennesaw State after 10 years of leadership. As president, Dr. Papp guided Kennesaw State through a period of unprecedented growth, including consolidation, the addition of academic programs, campus expansion, an enrollment boom, a heightened focus on international studies and the establishment of a football program.

Tremendous growth in the types of academic programs offered at the University has provided new learning opportunities for students and a wider variety of teaching and research possibilities for faculty. At the same time, innovative approaches in all areas of learning have raised levels of engagement with communities locally, across the state and nation, and around the world. Kennesaw State has created a dynamic community that values connections and makes a real impact on the future of its students.

Some of the highlights from FY 2016 include:

- Kennesaw State completed its consolidation with Southern Polytechnic State and opened in fall 2015 for the first time as a single university.
- The enrollment at Kennesaw State now exceeds 33,500 students, pursuing undergraduate, master's and doctoral degrees on both the Kennesaw and Marietta campuses and online.
- The Carnegie Classification of Institutions of Higher Learning elevated Kennesaw State to an R3 doctoral research institution with moderate research activity.
- Kennesaw State continued to add new degree programs for students, including a Bachelor of Science in Environmental Engineering, a Bachelor of Science in Journalism and Emerging Media, and a Bachelor of Science in Public Health Education.
- The University successfully complied with accreditation criteria established by the Southern Association of Colleges and Schools Substantive Change Team.
- Through the continued generosity of donors, the University opened opportunities for student learning in a wide variety of areas, including establishment of three endowed chairs: the Leven Chair of Culinary Sustainability and Hospitality; the Chantal and Tommy Bagwell Chair in Education; and the Thomas M. and Elizabeth D. Holder Chair of Nursing.
- Kennesaw State University has become an economic juggernaut, topping $1.3 billion in economic impact.
- The University's physical expansion continued its upward trajectory, with the opening of the Dr. Betty L. Siegel Student Recreation and Activities Center, an expanded Chantal and Tommy Bagwell Education Building, a renovated Horace W. Sturgis Library, and new property acquisition for the Kennesaw Campus.
- University faculty continued to pursue innovative research opportunities, winning grant funding from a variety of public and private sources, including a $250,000 National Science Foundation grant for the Bagwell College of Education, a $1 million National Institutes of Health grant for the College of Science and Mathematics, and much more.
- Kennesaw State student-athletes continued to thrive in the classroom and on the field, as athletic programs were recognized with two conference championships, conference honors for students excelling in academics, and the expansion to 18 athletics teams with the inaugural year of football.

As Kennesaw State continues to grow – and there are no signs that we are looking to slow down any time soon – the future looks as bright as ever. There is still a lot of work to be done, but faculty, staff, and students have shown themselves to be resilient and overcome any obstacles that come their way. With a team that has shown grit for enhancing the value of a Kennesaw State education, the University is well on its way toward achieving its long-term goals and continuing as a leading member of the University System of Georgia.

Sam Olens
President

Letter of Transmittal

November 1, 2016

To President Sam Olens
Kennesaw State University,

The Annual Financial Report (AFR) for Kennesaw State University (Institution) includes the financial statements for the year ended June 30, 2016, 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, 2016.

Kennesaw State University's 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 Institute's financial position, revenues, expenses and other changes in net position.

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

Respectfully submitted,

Julie Peterson
Chief Business Officer

SECTION II

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS
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Greg S. Griffin
STATE AUDITOR
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December 30, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Mr. Sam Olens, President
Kennesaw State University

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Kennesaw State University, a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2016 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 discretely presented component unit 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 Kennesaw State 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 Kennesaw State 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component unit of Kennesaw State University as of June 30, 2016, 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 Kennesaw State 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, and the discretely presented component unit of the State of Georgia that are attributable to the transactions of Kennesaw State University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2016, 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 described in Note 1 to the financial statements, in 2016, Kennesaw State University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the prior period financial statements have been restated 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 on pages i through viii and the Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems and the Notes to the Required Supplemental Information on pages 39 through 43 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 and other auditors 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 inquires 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Kennesaw State University. The accompanying supplementary information (Schedules 6 through 9) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information (Schedules 6 through 9) 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 or 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of Kennesaw State 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 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 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 Kennesaw State University's internal control over financial reporting and compliance.

Respectfully,

Greg S. Griffin
State Auditor

REQUIRED SUPPLEMENTARY INFORMATION

KENNESAW STATE UNIVERSITY
Management's Discussion and Analysis (Unaudited)

Introduction

Kennesaw State University (Institution) is one of the 29 institutions of higher education of the University System of Georgia. The Institution, 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. The Institution offers baccalaureate and master's degrees in a wide variety of subjects. This broad range of educational opportunities attracts a highly qualified faculty and a student body of more than 30,000 students each year. The Institution continues to grow as shown by the comparison numbers that follow.

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2016	1,207	33,252	29,768
Fiscal Year 2015	1,173	32,500	28,835
Fiscal Year 2014	1,154	31,178	27,693

Overview of the Financial Statements and Financial Analysis

Kennesaw State University is pleased to present its financial statements for fiscal year 2016. 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 Institution's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2016 and fiscal year 2015. The comparative data for fiscal year 2015 does not reflect the effects of the restatement of July 1, 2015 net position. This restatement is related to the re-evaluation of capital assets and capital lease agreements between the Institution and the related foundations in the amount of $962,430. See Note 1 in the Notes to the Financial Statements for more information about the restatement of July 1, 2015.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources both current and noncurrent. The differences between current and noncurrent 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 Institution and how much the Institution owes vendors. The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources (net position) is one indicator of the Institution's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the Institution's financial health when considered in conjunction with other nonfinancial conditions, such as facilities and enrollment.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution.

The next category is restricted, which is divided into two categories, nonexpendable and expendable. *The corpus of nonexpendable, restricted res*ources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the Institution for any lawful purpose.

Statement of Net Position, Condensed

	June 30, 2016	June 30, 2015 (1)
Assets		
Current Assets	$ 102,385,085	$ 97,489,454
Capital Assets, Net	645,049,814	657,540,199
Other Assets	6,999,617	6,854,849
Total Assets	754,434,516	761,884,502
Deferred Outflows of Resources	28,486,904	14,327,146
Liabilities		
Current Liabilities	53,644,924	49,778,342
Noncurrent Liabilities	423,877,341	423,272,088
Total Liabilities	477,522,265	473,050,430
Deferred Inflows of Resources	93,074,125	109,164,159
Net Position		
Net Investment in Capital Assets	274,600,389	262,379,596
Restricted		
Nonexpendable	4,091,172	4,039,001
Expendable	928,874	776,818
Unrestricted	-67,295,405	-73,198,356
Total Net Position	$ 212,325,030	$ 193,997,059

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See Note 1 in the Notes to the Financial Statements for more information.

Total assets and deferred outflows of resources increased by $6,709,772 which was primarily due to an increase in Deferred Outflow of Resources, primarily related to the Deferred Loss on Pension Plan Benefits. The increase was partially offset by a decrease in Capital Assets, Net, due to a restatement of capital assets.

Total liabilities and deferred inflows of resources decreased for the year by $11,618,199. The decrease is primarily in the category of Deferred Gain on Defined Benefit Pension Plan, in the amount of $12,520,203. The decrease in Lease Purchase Obligations resulting from the restatement of capital leases was essentially offset by an increase in Net Pension Liability.

The combination of the increase in total assets and deferred outflows of resources and the decrease in total liabilities and deferred inflows of resources yielded an increase in net position of $18,327,971. The increase in net position is primarily in the category of Net Investment in Capital Assets, in the amount of $12,220,793.

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 Institution, both operating and non-operating, and the expenses paid by the Institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position, Condensed

	June 30, 2016	June 30, 2015 (1)
Operating Revenues	$ 293,765,919	$ 267,054,892
Operating Expenses	457,183,444	418,360,703
Operating Loss	-163,417,525	-151,305,811
Nonoperating Revenues and Expenses	159,794,577	150,853,005
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	-3,622,948	-452,806
Other Revenues, Expenses, Gains or Losses	22,913,349	8,121,254
Increase in Net Position	19,290,401	7,668,448
Net Position at Beginning of Year, as Originally Reported	193,997,059	320,793,834
Prior Year Adjustments	-962,430	-134,465,223
Net Position at Beginning of Year, Restated	193,034,629	186,328,611
Net Position at End of Year	$ 212,325,030	$ 193,997,059

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See Note 1 in the Notes to the Financial Statements for more information.

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:

Revenue by Source
For the Years Ended June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015 (1)
Operating Revenue		
Tuition and Fees	$ 183,761,639	$ 173,732,546
Grants and Contracts	3,248,185	3,014,747
Sales and Services	12,733,728	9,486,738
Auxiliary Enterprises	90,962,832	78,446,463
Other	3,059,535	2,374,398
Total Operating Revenue	293,765,919	267,054,892
Nonoperating Revenue		
State Appropriations	115,692,680	107,782,189
Grants and Contracts	60,194,200	60,168,258
Gifts	1,125,674	1,144,073
Investment Income	350,161	479,366
Other	-401,073	-259,573
Total Nonoperating Revenue	176,961,642	169,314,313
Capital Grants and Gifts		
State	16,988,157	4,460,846
Other Capital Gifts and Grants	5,925,192	3,660,408
Total Capital Grants and Gifts	22,913,349	8,121,254
Total Revenues	$ 493,640,910	$ 444,490,459

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See Note 1 in the Notes to the Financial Statements for more information.

Expenses (By Functional Classification)
For the Years Ended June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015 (1)
Operating Expenses		
Instruction	$ 157,155,957	$ 150,448,477
Research	1,486,021	1,506,870
Public Service	8,990,287	6,740,986
Academic Support	54,837,687	47,205,446
Student Services	34,177,753	31,573,847
Institutional Support	49,588,308	47,070,361
Plant Operations and Maintenance	42,925,296	40,632,328
Scholarships and Fellowships	22,826,518	21,605,605
Auxiliary Enterprises	85,195,617	71,576,782
Total Operating Expenses	457,183,444	418,360,702
Nonoperating Expenses		
Interest Expense (Capital Assets)	17,167,065	18,461,308
Total Expenses	$ 474,350,509	$ 436,822,010

(1) The June 30, 2015 amounts do not reflect the effects of the restatement of July 1, 2015 net position. See Note 1 in the Notes to the Financial Statements for more information.

Operating revenues increased by $26,711,027 in fiscal year 2016. This increase was primarily due to an increase in enrollment accompanied by a 4.3 percent increase in undergraduate and a 3.0 percent increase in graduate tuition rates along with increased student fees.

The Auxiliary revenue increase of $12,516,369 is a result of an increase in enrollment and fee structure post-consolidation.

Nonoperating revenues increased by $7,647,329 for the year primarily due to an increase of $7,910,491 in State Appropriations.

The compensation and employee benefits category increased by $19,296,184 and primarily affected the Instruction, Academic Support, Student Services, and Plant Operations and Maintenance functions. The increase reflects the addition of new faculty, merit increases and an increased cost of health insurance for the employees of the Institution.

Spending for Supplies and other services increased by $15,883,978 during the past year, primarily in the areas of Auxiliaries and related to the increase in revenue. Utilities increased $582,420 during the past year primarily to a new building coming on line.

Statement of Cash Flows

The final statement presented by the Kennesaw State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institution during the year. Cash flow information can be used to evaluate the financial viability of the Institution's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2016 and June 30, 2015, Condensed

	June 30, 2016	June 30, 2015
Cash Provided (Used) By:		
Operating Activities	$ -127,796,004	$ -126,853,803
Noncapital Financing Activities	174,923,372	168,743,298
Capital and Related Financing Activities	-37,921,631	-33,369,666
Investing Activities	300,078	320,067
Net Change in Cash	9,505,815	8,839,896
Cash, Beginning of Year	73,087,827	64,247,931
Cash, End of Year	$ 82,593,642	$ 73,087,827

Capital Assets

The Institution had two significant capital asset additions in fiscal year 2016. Land and Buildings on two separate parcels, which were purchased with Georgia State Financing and Investment Commission (GSFIC) funds, were added as capital assets totaling $13,585,052.

Kennesaw State University also had major renovations. A building on the Marietta Campus was renovated using GSFIC funds and Major Repair and Replacement (MRR) funds totaling $4,541,033. Kennesaw State University Center renovations were funded by Kennesaw State University Foundation repair and replacement funds in the amount of $1,462,241.

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 $440,486,710 of which $16,609,369 was reflected as current liability at June 30, 2016.

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 Institution anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the Institution's ability to react to unknown internal and external issues.

Sam Olens, President
Kennesaw State University

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BASIC FINANCIAL STATEMENTS

KENNESAW STATE UNIVERISTY
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	Department within the State of Georgia Primary Government	Component Unit of the State of Georgia Reporting Entity
	Kennesaw State University	Kennesaw State University Foundation, Inc.
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 82,593,642	$ 14,645,148
Accounts Receivable, Net		
Receivables - Federal Financial Assistance	1,824,930	
Receivables - Other	6,226,366	216,899
Due from Affiliated Organizations	4,439,837	
Due from Component Units	1,919,156	
Due from Primary Government		560,916
Investment in Capital Leases - Primary Government		6,769,927
Pledges Receivable		1,174,305
Inventories	4,184,884	
Prepaid Items	1,196,270	269,014
Total Current Assets	102,385,085	23,636,209
Noncurrent Assets		
Noncurrent Cash		48,787,844
Due from USO - Capital Liability Reserve Fund	2,098,531	
Investment in Capital Leases - Primary Government		216,788,920
Investments		15,003,983
Notes Receivable, Net	625,566	
Pledges Receivable		3,169,398
Investments (Externally Restricted)	4,275,520	29,656,726
Capital Assets, Net	645,049,814	99,281,994
Other Assets		7,138,882
Total Noncurrent Assets	652,049,431	419,827,747
Total Assets	754,434,516	443,463,956
Deferred Outflows of Resources		
Deferred Loss on Debt Refunding	1,141,664	0
Deferred Loss on Defined Benefit Pension Plans	27,345,240	
Total Deferred Outflows of Resources	28,486,904	0
LIABILITIES		
Current Liabilities		
Accounts Payable	15,888,925	10,180,592
Salaries Payable	911,130	
Benefits Payable	609,644	
Contracts Payable	110,894	
Retainage Payable	285,479	
Deposits	48,027	98,991
Advances (Including Tuition and Fees)	16,213,361	872,392
Deposits Held for Other Organizations	1,779,526	
Due to Primary Government		1,919,156
Lease Purchase Obligations - External	2,436,919	
Lease Purchase Obligations - Component Units	6,769,927	
Compensated Absences	7,402,523	
Liabilities Under Split-Interest		20,012
Revenue/Mortgage Bonds Payable		10,975,000
Due to Component Units	560,916	
Due to Affiliated Organizations	380,946	
Other Liabilities	246,707	
Total Current Liabilities	$ 53,644,924	$ 24,066,143

KENNESAW STATE UNIVERISTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Department within the State of Georgia Primary Government	Component Unit of the State of Georgia Reporting Entity
	Kennesaw State University	Kennesaw State University Foundation, Inc.
Noncurrent Liabilities		
Lease Purchase Obligations - External	$ 76,362,624	
Lease Purchase Obligations - Component Units	216,788,956	
Compensated Absences	3,343,572	
Revenue/Mortgage Bonds Payable		$ 359,665,000
Unamortized Bond Discount		-1,745,194
Unamortized Bond Premium		12,885,594
Liabilities Under Split Interest Agreements		23,764
Net Pension Liability	127,382,189	
Total Noncurrent Liabilities	423,877,341	370,829,164
Total Liabilities	477,522,265	394,895,307
Deferred Inflows of Resources		
Deferred Gain on Debt Refunding	1,273,146	0
Deferred Gain on Defined Benefit Pension Plans	24,663,063	
Deferred Service Concession Agreements	67,137,916	
Total Deferred Inflows of Resources	93,074,125	0
NET POSITION		
Net Investment in Capital Assets	274,600,389	-64,573,573
Restricted for:		
Nonexpendable	4,091,172	33,309,506
Expendable	928,874	10,931,290
Unrestricted	-67,295,405	68,901,426
Total Net Position	$ 212,325,030	$ 48,568,649

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
YEAR ENDED JUNE 30, 2016

EXHIBIT "B"

	Department within the State of Georgia Primary Government Kennesaw State University	Component Unit of the State of Georgia Reporting Entity Kennesaw State University Foundation, Inc.
OPERATING REVENUES		
Student Tuition and Fees (Net)	$ 183,761,639	
Gifts and Contributions		$ 2,472,791
Grants and Contracts		
Federal	2,259,989	
State	888,461	
Other	99,735	
Sales and Services	12,733,728	358,790
Rents and Royalties	1,077,825	42,217,563
Auxiliary Enterprises		
Residence Halls	16,550,765	
Bookstore	15,178,645	
Food Services	26,500,274	
Parking/Transportation	9,806,645	
Health Services	3,384,932	
Intercollegiate Athletics	14,629,504	
Other Organizations	4,912,067	
Other Operating Revenues	1,981,710	1,198,027
Total Operating Revenues	293,765,919	46,247,171
OPERATING EXPENSES		
Salaries		
Faculty	91,638,505	
Staff	118,150,291	3,397,739
Employee Benefits	56,690,372	
Other Personal Services	1,343,367	41,541
Travel	3,334,112	
Scholarships and Fellowships	28,056,837	
Utilities	9,736,610	3,312,340
Supplies and Other Services	116,524,817	8,484,708
Depreciation	31,708,533	5,229,865
Payments to or on behalf of the University		6,079,185
Total Operating Expenses	457,183,444	26,545,378
Operating Income (Loss)	-163,417,525	19,701,793
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	115,692,680	
Grants and Contracts		
Federal	55,400,094	
State	148,619	
Other	4,645,487	
Gifts	1,125,674	
Investment Income (Endowments, Auxiliary and Other)	350,161	-811,255
Interest Expense (Capital Assets)	-17,167,065	-15,755,813
Other Nonoperating Revenues (Expenses)	-401,073	
Net Nonoperating Revenues	159,794,577	-16,567,068
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ -3,622,948	$ 3,134,725

	Department within the State of Georgia Primary Government Kennesaw State University	Component Unit of the State of Georgia Reporting Entity Kennesaw State University Foundation, Inc.
Capital Grants and Gifts		
State	$ 16,988,157	
Other	5,925,192	
Additions to Permanent Endowments		$ 3,811,874
Special Item - Loss on Bond Retirement		-305,308
Total Other Revenues, Expenses, Gains or Losses	22,913,349	3,506,566
Increase in Net Position	19,290,401	6,641,291
Net Position - Beginning of Year	193,997,059	41,927,358
Prior Year Adjustments	-962,430	
Net Position - Beginning of Year, Restated	193,034,629	41,927,358
Net Position - End of Year	$ 212,325,030	$ 48,568,649

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

KENNESAW STATE UNIVERISTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 292,582,573
Grants and Contracts (Exchange)	8,559,188
Payments to Suppliers	-188,153,446
Payments to Employees	-212,618,014
Payments for Scholarships and Fellowships	-28,056,837
Loans Issued to Students	-75,703
Collection of Loans to Students	-33,500
Other Receipts (Payments)	-265
Net Cash Used by Operating Activities	-127,796,004
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	115,692,680
Agency Funds Transactions	855,298
Gifts and Grants Received for Other than Capital Purposes	58,258,051
Other Noncapital Financing Receipts	14,519
Other Noncapital Financing Payments	102,824
Net Cash Flows Provided by Noncapital Financing Activities	174,923,372
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	6,049,360
Purchases of Capital Assets	-17,369,211
Principal Paid on Capital Debt and Leases	-9,635,345
Interest Paid on Capital Debt and Leases	-16,966,435
Net Cash Used by Capital and Related Financing Activities	-37,921,631
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	300,078
Net Increase in Cash	9,505,815
Cash and Cash Equivalents - Beginning of Year	73,087,827
Cash and Cash Equivalents - End of Year	$ 82,593,642

KENNESAW STATE UNIVERISTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	-163,417,525
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Depreciation		31,708,533
Operating Expenses Related to Noncash Gifts		21,467
Change in Assets and Liabilities:		
Receivables, Net		6,291,587
Inventories		-1,161,466
Prepaid Items		209,481
Notes Receivable, Net		-109,203
Accounts Payable		2,589,940
Salaries Payable		468,636
Retainage Payable		31,388
Deposits		-8,654
Advances (Including Tuition and Fees)		910,435
Other Liabilities		246,706
Funds Held for Others		-265
Compensated Absences		187,484
Due to Affiliated Organizations		-637,606
Net Pension Liability		23,053,243
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		-12,520,203
Deferred Outflows of Resources		-15,659,982
Net Cash Used by Operating Activities	$	-127,796,004

NONCASH ACTIVITY		
Non-capital Financing Activities Accounts Receivable, Net of Allowances	$	2,997,638
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	$	207,763
Gift of Capital Assets	$	14,770,324
Loss on Disposal of Capital Assets	$	-393,215
Accrual of Capital Asset Related Payables	$	-821,601
Recognition of Capital Financing Activities Advances and Deferred Inflows	$	3,582,190
Amortization of Deferred Gain of Capital Debt Refunded	$	92,035
Accrual of Capital Financing Interest Payable	$	-1,380,847
Release on Debt on Re-Financing	$	1,341,351
Unrealized Gain on Investments	$	50,083

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

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

Kennesaw State University (Institution) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Institution 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 Institution does not have the right to sue/be sued without recourse to the State. The Institution'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 Institution is not legally separate from the State. Accordingly, the Institution 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 Institution. In addition, the Kennesaw State University Foundation, Inc. (Foundation), a discretely presented component unit of the State, has been included since the Foundation has been determined to be essential to the fair presentation to these departmental statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, 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 State's CAFR as of and for the year ended June 30, 2016 has not been issued as of the release of this report. 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 found at https://sao.georgia.gov/comprehensive-annual-financial-reports.

The Foundation is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Foundation's mission is to be an advocate for the Institution and to receive, invest, account for, and allocate private gifts and contributions in support of the Institution. The Foundation provides student housing, parking, dining, classroom, and athletic space to the Institution. The Foundation also operates hospitality space. Separately issued financial statements are available from the Foundation at the following address: Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144.

See Note 19 for additional information related to Component Units.

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 Institution's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Institution'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-Institution transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2016, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The adoption of this statement does not have a siginificant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this statement does not have a significant impact on the Institution'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.

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 Institution 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.

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

Inventories

Resale Inventories are valued using the Average Cost Method.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Institution'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 generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

Due From USO - 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. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the University System Office. 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 cooperative organization. The Fund will continue as long as the USG has rental obligations under the PPV program. At the conclusion of the Institution's participation in the program, funds will be returned to the Institution. The balance included on the Institution's Statement of Net Position represents the Institution's contribution to the Fund.

Deferred Outflows of Resources
Deferred outflows of resources consist of the consumption of net assets by the Institution that are applicable to a future reporting period.

Deposits
Deposits represent good faith deposits from students to reserve housing assignments in the Institution’s residence halls and a vendor payment that is required per contractual agreement.

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 Institution acting as an agent, or fiduciary, for another entity. Deposits held for others consist of scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

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

Noncurrent Liabilities
Noncurrent liabilities include (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources
Deferred inflows of resources consist of the acquisition of net assets by the Institution that are applicable to a future reporting period.

Pensions and Net Pension Liability
The net pension liability represents the unfunded pension obligation which is the difference between the total pension obligation 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 the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, additions/deductions from 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 employees’ contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

Service concession arrangements are arrangements between a government (transferor) 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 Institution's net position is classified as follows:

Net Investment in Capital Assets: This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

Restricted – non-expendable includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University 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 Institution 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 includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted: Unrestricted 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 Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $66,414. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

- Auxiliary Enterprises Operations – These resources are used for the continued operation of auxiliary enterprise activities, which are substantially self-supporting business operations conducted on campuses that provide services to students, faculty, and staff.

- Auxiliary Enterprises Renewals and Replacement (R&R) Reserve – These resources can be used for renewals and replacement of capitalizable assets related to auxiliary services. This R&R reserve can also be used for major renovations and rehabilitations auxiliary projects that do not meet the capitalization threshold.

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

See Note 10, Net Position, for additional information.

Income Taxes
The Institution, as a political subdivision of the State, 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 classify fiscal year activity as operating and non-operating 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 nonoperating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

- Operating Expenses: 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 Institution, 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 non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $44,445,046 and $524,785, respectively.

Restatement of Prior Year Net Position

The Institution made the following restatements related to business-type activities:

- For fiscal year 2016, the Institution decreased beginning net position related to the re-evaluation of capital assets and capital lease agreements between the Institution and the related foundations in the amount of $962,430. This change is in accordance with general accepted accounting principles.

Below is a summary of adjustments made to July 1, 2015 Net Position.

Business-Type Activities:		
Net Position, Beginning of Year, As Originally Reported	$	193,997,059
Adjustments related to re-evaulation of capital assets and capital lease agreements		
Decrease in capital lease liability		10,999,062
Decrease in capital assets		-11,814,130
Decrease in deferred gain on debt refunding		1,260,787
Decrease in deferred loss on debt refunding		-1,408,149
Net Position, Beginning of Year, Restated	$	193,034,629

Changes in Financial Accounting and Reporting

In fiscal year 2016, Kennesaw State University Foundation has been determined to be essential to the fair presentation to these departmental statements resulting in an increase in the beginning net position for the discretely presented component units.

Note 2. Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2016, the carrying value of deposits was $44,101,174 and the bank balance was $45,604,484. Of the Institution's deposits, $45,035,789 were uninsured. Of these uninsured deposits, $45,035,789 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name.

The following schedule reconciles cash and cash equivalents to the carrying value of deposits:

Reconciliation of Cash and Cash Equivalents Balances to Carrying Value of Deposits:

Business-Type Activities:		
Statement of Net Position		
Cash and Cash Equivalents	$	82,593,642
Add:		
Deposits with original maturity over 90 days reported as Investments		68,695
Less:		
Cash on Hand		-89,250
Investment pool reported as Cash and Cash Equivalents		
Board of Regents Short-Term Fund		-38,471,913
Total Carrying Value of Deposits - June 30, 2016	$	44,101,174

Investments

The Institution 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 each institution 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.

The Institution has adopted SGAS No. 72, *Fair Value Measurements and Application*, which 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 Institute's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2016.

Type	Level 1	Note 2	Grand Total
BOR Pool		$ 42,163,048	$ 42,163,048
U.S. Treasuries	$ 38,862		38,862
Equity Mutual Funds - International	58,586		58,586
Equity Mutual Funds - Domestic	154,569		154,569
Equity Securities - Domestic	141,893		141,893
Mutual Bond Funds	100,548		100,548
Real Estate Investment Trusts	21,232		21,232
Grand Total	$ 515,690	$ 42,163,048	$ 42,678,738

Note 2: The Insitution holds a position in an external investment pool that is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Insitution does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

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

The Institution's investments as of June 30, 2016 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

The investments subject to interest rate risk are reflected below:

		Investment Maturity				
Investment Type	Fair Value	Less Than 3 mths	4 - 12 mths	1 - 5 years	6 - 10 years	More than 10 years
Debt Securities						
U. S. Treasuries	$ 38,862	$ 38,862				
Mutual Bond Funds	100,548	4,735	$ 10,073	$ 10,012	$ 42,708	$ 33,020
	139,410	$ 43,597	$ 10,073	$ 10,012	$ 42,708	$ 33,020
Other Investments						
Equity Mutual Funds - Domestic	154,569					
Equity Mutual Funds - International	58,586					
Equity Securities - Domestic	141,893					
Real Estate Investment Trusts	21,232					
Investment Pools						
Board of Regents						
Short-Term Fund	38,471,913					
Legal Fund	127,072					
Balanced Income Fund	947,526					
Total Return Fund	2,616,537					
Total Investments	$ 42,678,738					

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares.

Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at http://www.audits.ga.gov.

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 Institution does not have a formal policy for managing interest rate risk.

The Effective Duration of the Short-Term Fund is 0.47 years. Of the Institution's total investment of $38,471,913 in the Short-Term Fund, $38,471,913 is invested in debt securities.

The Effective Duration of the Legal Fund is 3.93 years. Of the Institution's total investment of $127,072 in the Legal Fund, $127,072 is invested in debt securities.

The Effective Duration of the Total Return Fund is 4.77 years. Of the Institution's total investment of $2,616,537 in the Total Return Fund, $915,788 is invested in debt securities.

The Effective Duration of the Balanced Income Fund is 4.78 years. Of the Institution's total investment of $947,526 in the Balanced Income Fund, $634,842 is invested in debt securities.

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 Institution will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institution does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2016, $373,797 of the Institution's applicable investments were subject to financial loss due to failure of the third-party investment companies that hold the investments in Kennesaw State University's name or the KSU Foundation 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 Institution does not have a formal policy for managing credit quality risk.

The investments subject to credit quality risk are reflected below:

Credit Quality Risk	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Unrated
Related Debt Investments									
Mutual Funds - Bonds	$ 100,548	$ 7,381	$ 37,535	$ 19,988	$ 11,387	$ 13,081	$ 2,191	$ 240	$ 8,745

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 Institution does not have a formal policy for managing concentration of credit risk. At June 30, 2016, Kennesaw State University did not have any investments which would constitute a credit risk under this criterion.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2016:

Student Tuition and Fees	$	3,172,418
Auxiliary Enterprises and Other Operating Activities		3,111,438
Federal Financial Assistance		1,824,930
Georgia State Financing and Investment Commission		207,763
Due from Affiliated Organizations		6,358,993
Due from USO - Capital Liability Reserve Fund		2,098,531
Other		4,819,916
		21,593,989
Less Allowance for Doubtful Accounts		5,085,169
Net Accounts Receivable	$	16,508,820

Note 4. Inventories

Inventories consisted of the following at June 30, 2016:

Consumable Supplies	$	26,680
Merchandise for Resale		4,158,204
Total	$	4,184,884

Note 5. Notes Receivable

The Federal Perkins Loan Program (the Program) comprises most of the loans receivable at June 30, 2016. 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 Institution for amounts cancelled under these provisions. As the Institution 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 Institution 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, 2016, the allowance for uncollectible loans was approximately $0.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balance July 1, 2015 (Restated)	Capital Leases Recategorization	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated:					
Land	$ 28,747,795	$ 0	$ 7,022,262		$ 35,770,057
Capitalized Collections	3,717,464		41,534		3,758,998
Construction Work-In-Progress	6,359,530		11,753,845	$ 11,277,541	6,835,834
Total Capital Assets, Not Being Depreciated	38,824,789	0	18,817,641	11,277,541	46,364,889
Capital Assets, Being Depreciated/Amortized					
Infrastructure	11,727,424		162,098		11,889,522
Building and Building Improvements	461,542,652		13,517,452		475,060,104
Leased Buildings and Building Improvements	0	327,423,225	1,462,241		328,885,466
Facilities and Other Improvements	7,065,362		488,539		7,553,901
Equipment	50,637,680		7,038,326	6,207,991	51,468,015
Capital Leases	327,423,225	-327,423,225			0
Library Collections	27,587,974		580,550	167,784	28,000,740
Capitalized Collections	5,340,062		637,700	30,500	5,947,262
Total Assets Being Depreciated/Amortized	891,324,379	0	23,886,906	6,406,275	908,805,010
Less: Accumulated Depreciation:					
Infrastructure	4,448,432		416,776		4,865,208
Building and Building Improvements	139,181,659		12,364,060		151,545,719
Leased Buildings and Building Improvements	0	77,598,556	12,062,130		89,660,686
Facilities and Other Improvements	3,752,445		266,117		4,018,562
Equipment	32,620,869		5,983,719	5,824,538	32,780,050
Capital Leases	77,598,556	-77,598,556			0
Library Collections	25,680,120		483,152	167,784	25,995,488
Capitalized Collections	1,141,018		132,579	19,225	1,254,372
Total Accumulated Depreciation/Amortization	284,423,099	0	31,708,533	6,011,547	310,120,085
Total Capital Assets, Being Depreciated/Amortized	606,901,280	0	-7,821,627	394,728	598,684,925
Capital Assets, Net	$ 645,726,069	$ 0	$ 10,996,014	$ 11,672,269	$ 645,049,814

Leased Building and Building Improvements at June 30, 2015 was reduced by $13,697,900 and Accumulated Depreciation for the same was reduced by $1,883,770 as a result of the re-evaluation of capital assets and capital lease agreements between the Institution and the related foundations.

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institution when complete. For projects managed by the Institution, the Institution retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2016, GSFIC did not transfer any capital additions to the Institution. In addition, at June 30, 2016, GSFIC had construction in progress of approximately, $17.2 million for incomplete projects for the institution.

Note 7. Advances (Including Tuition and Fees)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2016:

	Current Liabilities
Prepaid Tuition and Fees	$ 13,493,509
Other Advances	2,719,852
Total Advances	$ 16,213,361

Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015 (Restated)	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Leases					
Lease Purchase Obligations	$ 313,335,121	$ 0	$ 10,976,695	$ 302,358,426	$ 9,206,846
Other Liabilities					
Compensated Absences	10,558,611	8,165,540	7,978,056	10,746,095	7,402,523
Net Pension Liability	104,328,946	23,147,998	94,755	127,382,189	
Total	114,887,557	31,313,538	8,072,811	138,128,284	7,402,523
Total Long-Term Obligations	$ 428,222,678	$ 31,313,538	$ 19,049,506	$ 440,486,710	$ 16,609,369

Note 9. Service Concession Arrangements

At June 30, 2016, the Institution was a participant in three Service Concession Arrangements.

1. In August 2001, the Institution entered into an agreement with Kennesaw State 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, the Institution 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.

2. In August 2003, the Institution 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 housing (“University Village”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.

3. In August 2007, the Institution 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 housing (“University Suites”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

At June 30, 2016, the Institution reports the three housing residences as Capital Assets with a net carrying value of $67,137,916. For fiscal year 2016, the Institution reported a remaining Deferred Inflow of Resources of $67,137,916 and amortized revenue of $3,582,190. As part of the contractual agreement, the Kennesaw State University Foundation, Inc. is responsible for insuring each of the three residence halls and for providing maintenance services. The Institution has no reportable future obligation for these services.

Note 10. Net Position

Net Position is reported in the following three categories: Net Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted.

The amounts within each category at June 30, 2016 were as follows:

		June 30, 2016
Net Position		
Net Investments in Capital Assets	$	274,600,389
Restricted for		
Nonexpendable		
Permanent Endowment		4,091,172
Expendable		
Organized Activities		146,552
Federal Loans		686,918
Institutional Loans		95,404
Total Expendable		928,874
Unrestricted		
Auxiliary Operations		16,371,891
R & R Reserve		6,386,972
Reserve for Encumbrances		28,286,836
Reserve for Inventory		6,670
Other Unrestricted		-120,446,305
USO Reserve Fund		2,098,531
Total Unrestricted		-67,295,405
Total Net Position	$	212,325,030

Note 11. Endowments

Donor Restricted Endowments:

Investments of the Institution's endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Kennesaw State University 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. Current year net appreciation for the endowment accounts was $52,171 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institution'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 Note 10 for amounts reserved for outstanding encumbrances at June 30, 2016. Included in these encumbrances, the Institution had significant unearned, outstanding, construction or renovation contracts executed in the amount of $12,065,584 as of June 30, 2016. This amount is not reflected in the accompany basic financial statements.

Note 13. Lease Obligations

The Institution is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2019 and 2042. Expenditures for fiscal year 2016 were $28,809,667 of which $16,966,435 represented interest and $2,207,887 represented executory costs. Total principal paid on capital leases was $9,635,345 for the fiscal year ended June 30, 2016. Interest rates range from 2.00 percent to 9.01 percent.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin	End	Outstanding Principal Balance at June 30, 2016
Nine Houses (4)	KSU Foundation(a)	$ 3,971,098	25 yrs	5/1/2002	4/30/2027	$ 2,670,932
East and West Parking Decks (4)	KSU Foundation(a)	20,723,303	24 yrs	8/1/2002	7/31/2026	11,554,369
Building Complex (4)	KSU Foundation(a)	5,980,726	25 yrs	1/1/2004	6/30/2029	4,226,734
House	KSU Foundation(a)	200,000	15 yrs	2/1/2004	1/31/2019	38,852
North Parking Deck (4)	KSU Foundation(a)	14,602,016	25 yrs	9/1/2004	8/31/2029	9,703,989
Office Building (4)	KSU Foundation(a)	11,837,169	24 yrs	4/1/2006	6/30/2030	9,434,877
Land (4)	KSU Foundation(a)	1,814,402	24 yrs	4/1/2006	6/30/2030	0
Classroom Building	KSU Foundation(a)	953,858	23 yrs	11/1/2006	6/30/2030	717,270
Office/Classroom Building	KSU Foundation(a)	685,000	19 yrs	7/1/1999	6/30/2019	595,371
Central Parking Deck	KSU Foundation(a)	32,626,261	30 yrs	8/1/2008	6/30/2038	28,963,657
Classroom Building	KSU Foundation(a)	1,637,670	31 yrs	11/1/2008	6/30/2039	1,515,808
Dining Hall Facility	KSU Foundation(a)	18,536,126	30 yrs	8/1/2009	6/30/2039	17,219,676
House	KSU Foundation(a)	242,257	30 yrs	1/1/2010	12/31/2039	218,380
Multi-purpose Building	KSU Foundation(a)	10,490,527	26 yrs	7/1/2010	6/30/2036	3,820,402
Sports Complex	KSU Foundation(a)	61,006,867	30 yrs	7/1/2010	6/30/2040	62,800,604
Student Housing	KSU Foundation(a)	26,768,863	29 yrs	8/1/2012	6/30/2041	26,585,135
Student Recreation Center	KSU Foundation(a)	43,053,851	28 yrs	8/1/2014	6/30/2042	43,492,825
Parking Deck (1)	USG Real Estate Foundation I, LLC (a)	17,323,738	31 yrs	8/1/2009	6/30/2040	17,115,316
Housing/Dining	USG Real Estate Foundation II, LLC (a)	41,639,157	29 yrs	8/1/2010	6/30/2039	39,015,880
Commons Housing (2)	Polytechnic Foundation of KSU, Inc (a)	10,256,158	14 yrs	6/1/2013	6/30/2027	7,301,149
Courtyard Housing (3)	Polytechnic Foundation of KSU, Inc (a)	21,794,336	16 yrs	6/1/2013	6/30/2029	15,367,200
Total Leases		$ 346,143,383				$ 302,358,426

(a) These capital leases are related party transactions with affiliated organizations.

(1) In June 2015, the USG Foundation, refunded the bonds associated with this lease and passed the perceived economic advantages of this refund to the Institution. The net savings to the Institution resulting from this refund is $4,073,946 for the difference in the cash flow requirements between the original lease and the revised lease. The Institution recognized a Deferred Gain on Debt Refunding in the amount of $1,260,786. In fiscal year 2016, the re-finance transaction was restated resulting in a restated Deferred Loss on Debt Refunding of $74,606. The unamortized Deferred Loss on Debt Refunding at year end related to this transaction is $71,737.

(2) In June 2013, the Polytechnic Foundation of KSU, Inc., refunded the bonds associated with this lease and passed the perceived economic advantages of this refund to the Institution. The net savings to the Institution resulting from this refund is $1,063,081 for the difference in the cash flow requirements between the original lease and the revised lease. The Institution recognized a Deferred Loss on Debt Refunding in the amount of $1,089,811. In fiscal year 2016, the re-finance transaction was restated resulting in a restated Deferred Loss on Debt Refunding of $535,402. The unamortized Deferred Loss on Debt Refunding at year end related to this transaction is $490,785.

(3) In June 2013, the Polytechnic Foundation of KSU, Inc., refunded the bonds associated with this lease and passed the perceived economic advantages of this refund to the Institution. The net savings to the Institution resulting from this refund is $212,487 for the difference in the cash flow requirements between the original lease and the revised lease. The Institution recognized a Deferred Loss on Debt Refunding in the amount of $1,992,392. In fiscal year 2016, the re-finance transaction was restated resulting in a restated Deferred Loss on Debt Refunding of $623,691. The unamortized Deferred Loss on Debt Refunding at year end related to this transaction is $579,142.

(4) In September 2015, the KSU Real Estate Foundation, Inc., refunded the bonds associated with these leases and passed the perceived economic advantages of this refund to the Institution. The net savings to the Institution resulting from this refund is $9,125,435 for the difference in the cash flow requirements between the original lease and the revised lease. The Institution recognized a Deferred Gain on Debt Refunding in the amount of $1,341,350. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is $1,273,146.

Operating Leases

Kennesaw State University's noncancellable operating leases having remaining terms of one year expire in fiscal year 2017. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled $1,215,298 for the fiscal year ended June 30, 2016.

In July 2011, Kennesaw State University entered into a real property operating lease with a third party for 157 parking spaces. This operating lease was renewed in July 2015 to extend the lease to June 30, 2016. Under this agreement, the Institution paid the lessor $14,130 in the current year.

In April 2014, Kennesaw State University entered into a real property operating lease with the Kennesaw State University Foundation, Inc. (KSUF) a related party, for a building from July 2015 through September 2015. Under this agreement, the Institution paid the lessor $125,001 in the current year.

In July 2015, Kennesaw State University entered into a real property operating lease with a third party for a parking lot through June 30, 2016. Under this agreement, the Institution paid the lessor $34,000 in the current year.

In July 2015, October, 2015, and January 2016, Kennesaw State University entered into a real property operating lease with KSUF, a related party, for a portion of a building complex. Under these agreements, the Institution paid the lessor $226,872 in the current year.

In July 2015, Kennesaw State University entered into real property operating lease with a third party for the rental of copiers. Under this agreement, the Institution paid the lessor $794,496 in the current year.

In November 2015, Kennesaw State University entered into real property operating lease with a third party for the rental of office space. Under this agreement, the Institution paid the lessor $20,800 in the current year.

In July 2016, Kennesaw State University entered into real property operating lease with a third party for the rental of office space. Under this agreement, the Institution will pay the lessor $91,300 in 2017.

Future Commitments

Future commitments for capital leases (which include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2017	$ 27,832,911	$ 1,060,240
2018	28,051,908	
2019	27,654,818	
2020	26,124,837	
2021	26,307,667	
2022 - 2026	133,227,638	
2027 - 2031	113,817,072	
2032 - 2036	100,643,307	
2037 - 2041	73,880,537	
2042	1,756,540	
Total Minimum Lease Payments	559,297,235	$ 1,060,240
Less: Interest	217,975,764	
Less: Executory Costs (if paid)	38,963,045	
Principal Outstanding	$ 302,358,426	

The following is a summary of the carrying values of assets held under capital lease at June 30, 2016:

Description	Gross Amount	Accumulated Depreciation	Net Capital Assets Held Under Capital Lease at June 30, 2016	Outstanding Balances per Lease Schedules at June 30, 2016
	(+)	(-)	(=)	
Leased Land and Land Improvements	21,694,066		21,694,066	20,947,574
Leased Buildings and Building Improvements	328,885,466	89,660,686	239,224,780	281,410,852
Total Assets Held Under Capital Lease at June 30, 2016	$ 350,579,532	$ 89,660,686	$ 260,918,846	$ 302,358,426

Note 14. Retirement Plans

The Institution 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.

In addition to the retirement plans administered by RTS and ERS, USG administers the Regents Retirement Plan as an optional retirement plan.

The significant retirement plans that the Institution 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.

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

Summary of Significant Accounting Policies

Pensions: 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 fiduciary net position of the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. 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.

General Information about the Teachers Retirement System

Plan description: All teachers of the Institution as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) 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 www.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 2016. The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual Institution payroll. Institution contributions to TRS were $13,576,004 for the year ended June 30, 2016.

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 www.ers.ga.gov/formspubs/formspubs.

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 Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Institution's contributions to ERS totaled $39,126 for the year ended June 30, 2016. 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, 2016, the Institution 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, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30 2015, the Institution's TRS proportion was 0.835486%, which was an increase of 0.011922% from its proportion measured as of June 30, 2014. At June 30, 2015, the Institution's ERS proportion was 0.004634%, which was a decrease of 0.002898% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institution recognized pension expense of $5,077,844 for TRS and $49,097 for ERS. At June 30, 2016, the Institution 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		$ 1,118,741		$ 1,500
Net difference between projected and actual earnings on pension plan investments		10,728,985		13,546
Changes in proportion and differences between Institution contributions and proportionate share of contributions	$ 13,709,539	12,719,158	$ 20,571	81,133
Institution contributions subsequent to the measurement date	13,576,004		39,126	
Total	$ 27,285,543	$ 24,566,884	$ 59,697	$ 96,179

Institution contributions subsequent to the measurement date of $13,576,004 for TRS and $39,126 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 Ended June 30:	TRS	ERS
2017	$ -5,049,106	$ -40,556
2018	$ -5,049,106	$ -33,582
2019	$ -5,049,113	$ -6,038
2020	$ 4,265,115	$ 4,568
2021	$ 24,865	

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System:

Inflation	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and ERS pension liability was 7.50%. 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 Institution's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Institution's proportionate share of the net pension liability	$ 218,574,041	$ 127,194,447	$ 51,875,919

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Institution's proportionate share of the net pension liability	$ 266,131	$ 187,742	$ 120,912

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 publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs, respectively.

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. O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible Institution system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (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 Institution makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2016, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $8,303,073 (9.24%) and $5,391,609 (6%), 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 four different healthcare plan options. For the USG's Plan Year 2016, the following healthcare plan options were available:

- BlueChoice HMO
- Comprehensive Care
- Consumer Choice HSA
- Kaiser Permanente HMO

The Institution, participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the USG share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree healthcare 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 reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the USG, fully insured HMO healthcare plan are also offered to System employees.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institution, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 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 Institution (an organizational unit of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 17. Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institution pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 659 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred $2,144,523 of expenditures, which was net of $874,198 of participant contributions.

Note 18. Natural Classifications with Functional Classifications

Operating expenses by functional classification for fiscal year 2016 are shown below:

	Functional Classification				
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	$ 88,188,964	$ 277,721	$ 620,469	$ 1,993,971	$ 228,498
Staff	25,850,272	267,944	3,609,389	30,188,047	17,343,364
Employee Benefits	23,492,189	90,703	991,169	8,609,462	5,133,735
Personal Services	72,506		37,505	25,236	47,309
Travel	1,768,122	49,657	100,400	614,621	342,503
Scholarships and Fellowships	707,739	20,600	307,999	79,511	605,566
Utilities	470,553		41,218	411,591	438,497
Supplies and Other Services	13,573,050	546,009	3,269,439	9,509,367	6,790,570
Depreciation	3,032,562	233,387	12,699	3,405,881	3,247,711
Total Operating Expenses	$ 157,155,957	$ 1,486,021	$ 8,990,287	$ 54,837,687	$ 34,177,753

	Functional Classification				
Natural Classification	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	$ 324,332			$ 4,550	$ 91,638,505
Staff	18,459,868	$ 11,783,238		10,648,169	118,150,291
Employee Benefits	10,993,376	4,219,256		3,160,482	56,690,372
Personal Services	969,126			191,685	1,343,367
Travel	312,032	60,994		85,783	3,334,112
Scholarships and Fellowships	6,072		$ 22,826,518	3,502,832	28,056,837
Utilities	279,819	6,777,193		1,317,739	9,736,610
Supplies and Other Services	14,731,116	13,982,870		54,122,396	116,524,817
Depreciation	3,512,567	6,101,745		12,161,981	31,708,533
Total Operating Expenses	$ 49,588,308	$ 42,925,296	$ 22,826,518	$ 85,195,617	$ 457,183,444

Note 19. Component Unit

Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (Foundation) is a legally separate, tax-exempt component unit of the State of Georgia Reporting Entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Institution in support of its programs. Although the Institution is not fiscally accountable for the Foundation, the nature and significance of the relationship between the Institution and the Foundation is such that exclusion from these departmental financial statements would render them misleading.

The Foundation 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 Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2016, the Foundation distributed $1.6 million to the Institution for both restricted and unrestricted purposes. See note 13 for leases between the Institution and KSUF.

Investments for Component Unit:

Kennesaw State University Foundation holds endowment and other investments in the amount of $44.7 million. The $29.7 million corpus of the endowment is nonexpendable, but the earnings on the investments may be expended as restricted by the donors. Kennesaw State University Foundation Board of Trustees has established a spending plan for endowments appropriating for distribution 0% to 3.25% calculated on a sliding scale of the endowment balance as of the calendar year-end of preceding fiscal year in which the distribution is planned. The sliding scale was based on the balance of each endowment in relation to the corpus balance of each endowment. The remaining earnings less fees is set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2016:

		Fair Value
Money Market Accounts	$	4,455,142
Certificates of Deposits		252,789
Government and Agency Securities		13,265,343
Corporate Bonds		4,509,273
Equity Securities		13,787,182
Mutual Funds		8,390,980
Total Investments	$	44,660,709

Endowments for Component Unit:

Changes in the endowment net position for the year ended June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning	$ -193,759	$ 4,572,311	$ 29,216,724	$ 33,595,276
Contributions		183,138	3,811,874	3,995,012
Net realized and unrealized gains	-44,560	39,632		-4,928
Appropriation of endowment assets for expenditure		-1,198,027		-1,198,027
Transfers to comply with donor intesnt		-18,159	280,908	262,749
Ending	$ -238,319	$ 3,578,895	$ 33,309,506	$ 36,650,082

Capital Assets for Component Unit:

The Foundation held the following Capital Assets at June 30, 2016:

Capital Assets not being Depreciated:		
Land (and other assets)	$	6,035,380
Leased Land and Land Improvements		75,603
Capitalized Collection		1,896,711
Total Capital Assets not being Depreciated		8,007,694
Capital Assets being Depreciated:		
Buildings and Building Improvements		138,485,445
Machinery and Equipment		10,554,500
Software		30,200
Total Capital Assets being Depreciated/Amortized		149,070,145
Less Total Accumulated Depreciation/Amortization		57,795,845
Total Capital Assets being Depreciated/Amortized		91,274,300
Capital Assets, Net	$	99,281,994

Long-Term Liabilities for Component Unit:

Changes in long-term liabilities for the Foundation for the fiscal year ended June 30, 2016 are shown below:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Liabilities Under Split Interest Agreement	$ 63,788		$ 20,012	$ 43,776	$ 20,012
Notes and Loans Payable	12,718,473		12,718,473	0	
Revenue/Mortgage Bonds Payable	381,400,000	$ 37,285,000	48,045,000	370,640,000	10,975,000
Bond - Premium	11,143,492	3,905,654	2,163,552	12,885,594	
Bond - (Discount)	-1,811,672		-66,478	-1,745,194	
	$ 403,514,081	$ 41,190,654	$ 62,880,559	$ 381,824,176	$ 10,995,012

Revenue Bonds Payable:

Revenue bonds have been issued for the construction of facilities for the benefit of the Institution.

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

	Principal	Bonds Payable Interst	Total
Year ending June 30:			
2017	$ 10,975,000	$ 16,715,422	$ 27,690,422
2018	11,265,000	16,285,434	27,550,434
2019	11,245,000	15,818,591	27,063,591
2020	11,035,000	15,334,059	26,369,059
2021	11,715,000	14,808,631	26,523,631
2022 - 2026	69,325,000	65,219,538	134,544,538
2027 - 2031	79,024,516	48,145,616	127,170,132
2032 - 2036	85,141,516	28,877,978	114,019,494
2037 - 2041	67,278,968	8,391,981	75,670,949
2042 - 2046	13,635,000	241,363	13,876,363
	370,640,000	229,838,613	600,478,613
Bond Premium	11,140,400		11,140,400
Total	$ 381,780,400	$ 229,838,613	$ 611,619,013

REQUIRED SUPPLEMENTARY INFORMATION

KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "1"

Year Ended	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Employee 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
June 30, 2016	0.835486%	$ 127,194,447	$ 88,267,171	144.10%	81.44%
June 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
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "2"

Year Ended	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Employee 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
June 30, 2016	0.004634%	$ 187,742	$ 105,956	177.19%	76.20%
June 30, 2015	0.007532%	$ 282,497	$ 169,321	166.84%	77.99%

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 CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30, 2016	$ 13,576,004	$ 13,576,004	$ 0	$ 95,179,702	14.27%
June 30, 2015	$ 11,607,133	$ 11,607,133	$ 0	$ 88,267,171	13.15%
June 30, 2014 (1)	$ 8,326,658	$ 8,326,658	$ 0	$ 66,613,266	12.50%
June 30, 2013 (1)	$ 7,777,316	$ 7,777,316	$ 0	$ 68,172,439	11.41%
June 30, 2012 (1)	$ 6,932,081	$ 6,932,081	$ 0	$ 67,432,695	10.28%
June 30, 2011 (1)	$ 6,425,378	$ 6,425,378	$ 0	$ 62,503,677	10.28%
June 30, 2010 (1)	$ 5,761,703	$ 5,761,703	$ 0	$ 59,155,062	9.74%
June 30, 2009 (1)	$ 5,101,073	$ 5,101,073	$ 0	$ 54,968,459	9.28%
June 30, 2008 (1)	$ 4,662,513	$ 4,662,513	$ 0	$ 50,242,597	9.28%
June 30, 2007 (1)	$ 4,117,654	$ 4,117,654	$ 0	$ 44,371,272	9.28%

(1) Does not include Southern Polytechnic State University.

KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30, 2016	$ 39,126	$ 39,126	$ 0	$ 158,275	24.72%
June 30, 2015	$ 23,268	$ 23,268	$ 0	$ 105,956	21.96%
June 30, 2014 (1)	$ 31,308	$ 31,308	$ 0	$ 169,321	18.49%
June 30, 2013 (1)	$ 19,697	$ 19,697	$ 0	$ 132,193	14.90%
June 30, 2012 (1)	$ 21,502	$ 21,502	$ 0	$ 184,884	11.63%
June 30, 2011 (1)	$ 18,239	$ 18,239	$ 0	$ 175,207	10.41%
June 30, 2010 (1)	$ 13,907	$ 13,907	$ 0	$ 133,593	10.41%
June 30, 2009 (1)	$ 3,557	$ 3,557	$ 0	$ 34,170	10.41%
June 30, 2008 (1)	$ 3,505	$ 3,505	$ 0	$ 31,977	10.96%
June 30, 2007 (1)	$ 2,820	$ 2,820	$ 0	$ 27,092	10.41%

(1) Does not include Southern Polytechnic State University.

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.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Employees' Retirement System

Changes of assumptions: There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% – 4.625% for FY 2012-2013, 5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

KENNESAW STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2016

SCHEDULE "6"

ASSETS		
Cash and Cash Equivalents	$	49,053,295.76
Investments		90,842.88
Accounts Receivable		
Federal Financial Assistance		2,576,536.49
Other		7,398,609.63
Prepaid Expenditures		348,284.44
Inventories		26,680.48
Other Assets		28,327.80
Total Assets	$	59,522,577.48
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	883,234.60
Encumbrances Payable		26,872,998.02
Accounts Payable		1,011,239.41
Deferred Revenue		12,682,322.08
Other Liabilities		128,000.00
Total Liabilities		41,577,794.11
Fund Balances		
Reserved		
Department Sales and Services		7,064,707.68
Indirect Cost Recoveries		2,145,716.79
Technology Fees		848,087.96
Restricted/Sponsored Funds		284,972.40
Uncollectible Accounts Receivable		3,024,097.35
Tuition Carry-Over		4,510,787.26
Unreserved		
Surplus		66,413.93
Total Fund Balances		17,944,783.37
Total Liabilities and Fund Balances	$	59,522,577.48

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
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 115,722,372.00	$ 115,722,372.00	$ 0.00
Other Funds	304,168,562.00	284,700,278.20	-19,468,283.80
Total Revenues	419,890,934.00	400,422,650.20	-19,468,283.80
ADJUSTMENTS AND PROGRAM TRANSFERS			
Mandatory and Non-Mandatory Transfers	0.00	723,814.00	723,814.00
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	0.00	13,272,289.82	13,272,289.82
Total Funds Available	419,890,934.00	414,418,754.02	-5,472,179.98
EXPENDITURES			
Special Funding Initiative	540,000.00	540,000.00	0.00
Teaching	419,350,934.00	398,781,870.24	20,569,063.76
Total Expenditures	419,890,934.00	399,321,870.24	20,569,063.76
Excess of Funds Available over Expenditures	$ 0.00	15,096,883.78	$ 15,096,883.78
FUND BALANCE JULY 1			
Reserved		16,620,079.01	
Unreserved		29,692.00	
ADJUSTMENTS			
Prior Year Payables/Expenditures		191,345.67	
Prior Year Receivables/Revenues		-691,235.27	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2015		-29,692.00	
Prior Year Reserved Fund Balance Included in Funds Available		-13,272,289.82	
FUND BALANCE JUNE 30		$ 17,944,783.37	

SUMMARY OF FUND BALANCE	
Reserved	
Department Sales and Services	$ 7,064,707.68
Indirect Cost Recoveries	2,145,716.79
Technology Fees	848,087.96
Restricted/Sponsored Funds	284,972.40
Uncollectible Accounts Receivable	3,024,097.35
Tuition Carry-over	4,510,787.26
Total Reserved	17,878,369.44
Unreserved	
Surplus	66,413.93
Total Fund Balance	$ 17,944,783.37

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
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Special Funding Initiative				
State Appropriation				
State General Funds	$ 500,000.00	$ 500,000.00	$ 540,000.00	$ 540,000.00
Teaching				
State Appropriation				
State General Funds	114,519,722.00	114,519,722.00	115,182,372.00	115,182,372.00
Other Funds	264,089,525.00	264,089,525.00	304,168,562.00	284,700,278.20
Total Teaching	378,609,247.00	378,609,247.00	419,350,934.00	399,882,650.20
Total Operating Activity	$ 379,109,247.00	$ 379,109,247.00	$ 419,890,934.00	$ 400,422,650.20

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.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	Over Expenditures
$ 0.00	$ 0.00	$ 540,000.00	$ 0.00	$ 540,000.00	$ 0.00	$ 0.00
0.00	0.00	115,182,372.00	0.00	115,182,372.00	0.00	0.00
13,272,289.82	723,814.00	298,696,382.02	-5,472,179.98	283,599,498.24	20,569,063.76	15,096,883.78
13,272,289.82	723,814.00	413,878,754.02	-5,472,179.98	398,781,870.24	20,569,063.76	15,096,883.78
$ 13,272,289.82	$ 723,814.00	$ 414,418,754.02	$ -5,472,179.98	$ 399,321,870.24	$ 20,569,063.76	$ 15,096,883.78

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2015 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	$ 8,681.95	$ 0.00	$ -8,681.95	$ 43,744.02
Other Funds	13,293,299.87	-13,272,289.82	-21,010.05	-543,633.62
Total Teaching	13,301,981.82	-13,272,289.82	-29,692.00	-499,889.60
Total Operating Activity	13,301,981.82	-13,272,289.82	-29,692.00	-499,889.60
Prior Year Reserves				
Not Available for Expenditure				
Uncollectible Accounts Receivable	3,347,789.19	0.00	0.00	0.00
Budget Unit Totals	$ 16,649,771.01	$ -13,272,289.82	$ -29,692.00	$ -499,889.60

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.

Other Adjustments	Early Return Fiscal Year 2016 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ 0.00	$ 0.00	$ 0.00	$ 43,744.02	$ 0.00	$ 43,744.02	$ 43,744.02
323,691.84	0.00	15,096,883.78	14,876,942.00	14,854,272.09	22,669.91	14,876,942.00
323,691.84	0.00	15,096,883.78	14,920,686.02	14,854,272.09	66,413.93	14,920,686.02
323,691.84	0.00	15,096,883.78	14,920,686.02	14,854,272.09	66,413.93	14,920,686.02
-323,691.84	0.00	0.00	3,024,097.35	3,024,097.35	0.00	3,024,097.35
$ 0.00	$ 0.00	$ 15,096,883.78	$ 17,944,783.37	$ 17,878,369.44	$ 66,413.93	$ 17,944,783.37

Summary of Ending Fund Balance	Reserved	Surplus	Total
Reserved			
Department Sales and Services	$ 7,064,707.68		$ 7,064,707.68
Indirect Cost Recoveries	2,145,716.79		2,145,716.79
Technology Fees	848,087.96		848,087.96
Restricted/Sponsored Funds	284,972.40		284,972.40
Uncollectible Accounts Receivable	3,024,097.35		3,024,097.35
Tuition Carry-Over	4,510,787.26		4,510,787.26
Unreserved			
Surplus		$ 66,413.93	66,413.93
Total Ending Fund Balance - June 30	$ 17,878,369.44	$ 66,413.93	$ 17,944,783.37

SECTION III

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

December 30, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Mr. Sam Olens, President
Kennesaw State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ladies and Gentlemen:

We have audited, 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, the business-type activities and the discretely presented component unit of Kennesaw State University as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated December 30, 2016.

Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit as described in our report on the Kennesaw State University's basic financial statements.

This report includes our consideration of the results of other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennesaw State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kennesaw State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Kennesaw State University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kennesaw State University's financial statements are free from material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We and other auditors noted a certain matter that we reported to management of Kennesaw State University in a separate letter.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Greg S. Griffin
State Auditor

SECTION IV

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

KENNESAW STATE UNIVERSITY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA - 550-14-01	Satisfactory Academic Progress Determination
Control Category:	Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
CFDA Number and Title:	84.SFA – Student Financial Assistance Cluster

Finding Status: Partially Resolved

The Institution is awaiting a response from the U.S. Department of Education in regards to the resolution of this finding.

FA - 2015-001	Satisfactory Academic Progress Determination
Control Category:	Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
CFDA Number and Title:	84.SFA – Student Financial Assistance Cluster

Finding Status: Partially Resolved

The Institution has modified policies and procedures to ensure compliance with (34 CFR 668(a)(6)). The Institution is awaiting final resolution from the U.S. Department of Education.

SECTION V

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

KENNESAW STATE UNIVERISTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.