# ANNUAL FINANCIAL REPORT 2018

Including Independent Auditor's Report

**KENNESAW STATE UNIVERSITY** 

# KENNESAW STATE UNIVERSITY TABLE OF CONTENTS For the Fiscal Year Ended June 30, 2018

Introductory Section	
Message from the President	3
Letter of Transmittal	4
Financial Section	
Independent Auditor's Report	7
Management's Discussion and Analysis	8
Financial Statements (GAAP Basis)	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Net Position	25
Statement of Cash Flows	27
Notes to the Financial Statements	29
Required Supplementary Information	
Schedule of Contributions for Defined Benefit Pension Plan	63
Schedule of Proportionate Share of Net Pension Liability	64
Notes to the Required Supplemental Information for Pension Plans	65
Schedule of Contributions for OPEB Plan	66
Schedule of Proportionate Share of the Net OPEB Liability	67
Notes to the Required Supplemental Information for OPEB Plan	68
Supplementary Information	
Balance Sheet (Non-GAAP Basis)	71
Statement of Funds Available and Expenditures Compared to Budget (Non-GAAP Basis)	72
Statement of Changes to Fund Balance by Program and Funding Source (Non-GAAP Basis)	74



# **Introductory Section**



Message from the President

It is my pleasure, as the newly appointed president of Kennesaw State University, to share our 2018 Financial Report with you. It is worth noting that the Georgia Department of Audits and Accounts recognized Kennesaw State with the "Award of Distinction for Excellent Financial Reporting" for fiscal year 2017. This was the third time, and the second consecutive year, KSU has earned this distinction.

Kennesaw State is relatively young, but has quickly become a highly innovative university and one that has been experiencing tremendous growth. As a major contributor to the regional economy, KSU surpassed an economic impact of \$1.4 billion in the most recent report by the University System of Georgia. In addition, *U.S. News & World Report* recognized the University earlier this year for having one of the highest admissions yield rates in the nation, a reflection of how KSU has become a school of choice for many students.

This past year, Kennesaw State has focused on attracting high-achieving students and improving educational opportunities for all. The University's Honors Program grew to more than 850 students, with an average incoming GPA of 3.79. Earlier this summer, the University received a \$1.25 million donation from The Coca-Cola Foundation and a \$1 million grant from the Howard Hughes Medical Institute, both aimed at improving accessibility for first-generation and underrepresented students in the STEM fields.

Kennesaw State researchers, like Nikolaos Kidonakis, also are gaining recognition for their work. Dr. Kidonakis is ranked as the number one physicist in fundamental physics worldwide. His work and that of other KSU researchers have contributed to a rise in research activity, which has led to new knowledge and discoveries and hands-on learning opportunities for students. The University's commitment to research will be on full display next year when Kennesaw State hosts the 2019 National Conference on Undergraduate Research, the premier undergraduate research conference in the country.

These are just a few examples of how our University is making its mark on higher education. As we look to the year ahead, we will be launching programs that demonstrate our full commitment to moving students to their rightful place at KSU, namely the center of our universe. We will also be taking bold steps to amplify our strengths in research, community outreach and, most importantly, how we educate and prepare our students for graduation day and their future.

Sincerely,

Pamela S. Whitten President



Office of the Chief Business Officer

Letter of Transmittal

August 16, 2018

To: President Pamela S. Whitten

Kennesaw State University

The Annual Financial Report (AFR) for the Kennesaw State University includes the financial statements for the year ended June 30, 2018, 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, 2018.

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

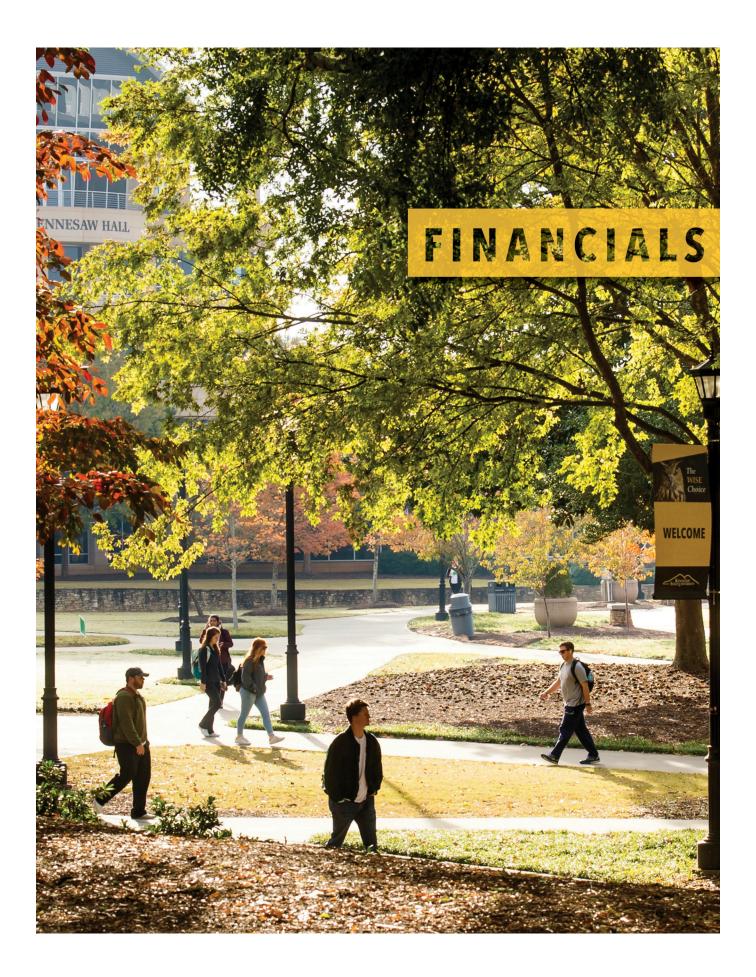
The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University's internal auditors also perform fiscal compliance and performance reviews, sharing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

Sincerely, elector

Julie Peterson

**Chief Business Officer** 

Kennesaw Hall • Room 4423 • MD 0107 • 585 Cobb Avenue NW • Kennesaw, GA 30144



# **Financial Section**

# Placeholder for DOAA's letter if applicable

Independent Accountant's Report or Independent Auditor's Report

# KENNESAW STATE UNIVERSITY Management's Discussion and Analysis

# Introduction

Kennesaw State University (University) is one of the 26 institutions of higher education of the University System of Georgia. The University, offering campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. This broad range of educational opportunities attracts a highly qualified faculty and a student body of more 35,000 students for fiscal year 2018. The Institution continues to grow as shown by the comparison numbers that follow:

	STUDENT HEADCOUNT	STUDENT FTE
FY 2018	35,846	32,147
FY 2017	35,018	31,360
FY 2016	33,252	29,768

# Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2018. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2018 and fiscal year 2017. However, the comparative data for fiscal year 2017 does not reflect the effects of the restatement of July 1, 2017 net position. This restatement is predominately related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employee benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance. See Note 1 in the Notes to the Financial Statements for additional information related to the effects of the restatement of the July 1, 2017 net position balance.

# **Statement of Net Position**

The Statement of Net Position is a financial condition snapshot as of June 30, 2018 and includes all assets and liabilities, both current and non-current. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

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

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

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

The following table summarizes the Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION	June 30, 2018	June 30, 2017 (1)	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 141,426,054	\$ 124,469,273	\$ 16,956,781	13.62 %
Capital Assets, Net	639,647,001	635,180,938	4,466,063	0.70 %
Other Assets	7,572,063	7,364,752	207,311	2.81 %
TOTALASSETS	788,645,118	767,014,963	21,630,155	2.82 %
DEFERRED OUTFLOWS	59,268,214	51,243,256	8,024,958	15.66 %
LIABILITIES				
Current Liabilities	57,504,178	57,665,170	(160,992)	(0.28)%
Non Current Liabilities	688,981,250	466,105,605	222,875,645	47.82 %
TOTAL LIABILITIES	746,485,428	523,770,775	222,714,653	42.52 %
DEFERRED INFLOWS	79,518,373	64,926,537	14,591,836	22.47 %
NET POSITION				
Net Investment in Capital Assets	296,117,362	278,269,993	17,847,369	6.41 %
Restricted, Non-Expendable	4,627,307	4,378,951	248,356	5.67 %
Restricted, Expendable	1,497,759	1,516,408	(18,649)	(1.23)%
Unrestricted	(280,332,897)	(54,604,445)	(225,728,452)	(413.39)%
TOTAL NET POSITION	\$ 21,909,531	\$ 229,560,907	\$ (207,651,376)	(90.46)%

(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

Total assets increased \$21,630,155 which was due to an increase in current assets of \$16,956,781, an increase in net capital assets of \$4,466,063, and an increase in other assets of \$207,311. In current assets, cash and cash equivalents increased by \$9,943,019 primarily due to an increase in non-operating revenues. Increases in accounts receivable and prepaid items accounted for most of the remaining increase and were due to timing.

Total deferred outflows of resources increased by \$8,024,958 which was primarily due to the addition of a deferred loss on the University's share of net other post-employment benefits (OPEB) for the Board of Regents Retiree Health Benefit Plan. This increase was offset by a decrease in the University's proportionate share of the actuarially determined deferred loss on defined benefit pension plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities increased \$222,714,653 which was due to a decrease in current liabilities of (\$160,992) and an increase in non-current liabilities of \$222,875,645. The increase in Net Other Post Employment Benefits Liability of \$246,184,631 was due to the University's share of net other post-employment benefits (OPEB) for the Board of Regents Retiree Health Benefit Plan resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. Offsetting this increase was a decrease in Lease Purchase Obligations due to the annual payments.

Total deferred inflows of resources increased by \$14,591,836 which was primarily due to the University's proportionate share of net other post-employment benefits (OPEB) for the Board of Regents Retiree Health Benefit Plan resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of (\$207,651,376). This change in net position is primarily in the category of Unrestricted due to the implementation of GASB Statement No. 75 as noted above. An increase in Net Investment in Capital Assets in the amount of \$17,847,369, partially offset this decrease.

# Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the

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

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	J	une 30, 2018	J	une 30, 2017 (1)	Increase/ (Decrease)	% Change
Operating Revenue	\$	307,686,178	\$	305,624,395	\$ 2,061,783	0.67 %
Operating Expense		504,822,685		474,271,425	30,551,260	6.44 %
Operating Income/Loss		(197,136,507)	)	(168,647,030)	(28,489,477)	16.89 %
Non-Operating Revenue and Expense		196,479,672		175,116,522	21,363,150	12.20 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses		(656,835)	)	6,469,492	(7,126,327)	(110.15)%
Other Revenues, Expenses, Gains and Losses		26,774,128		10,766,385	16,007,743	148.68 %
Change in Net Position		26,117,293		17,235,877	8,881,416	51.53 %
Net Position at beginning of year, restated		(4,207,762)		212,325,030	(216,532,792)	(101.98)%
Net Position at End of Year	\$	21,909,531	\$	229,560,907	\$ (207,651,376)	(90.46)%

(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

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

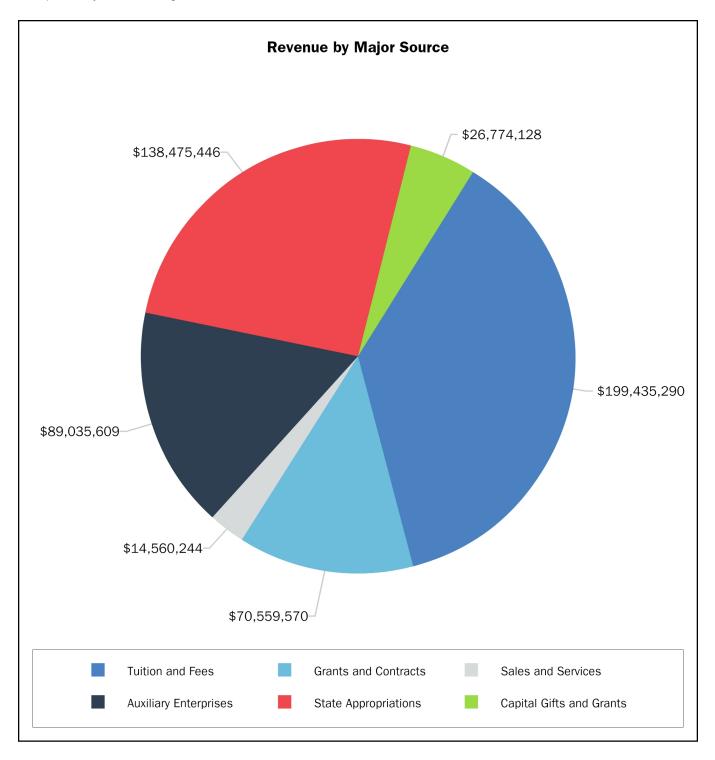
### Revenues

Operating revenues increased by \$2,061,783. An increase in net tuition and fees, increased by \$6,238,749 but was partially off set by decreases in auxiliary revenues primarily in food services.

Non-Operating revenue and expenses increased by \$21,363,150 primarily due to an increase in state appropriation of \$10,347,018 and increases in grant and contract revenue.

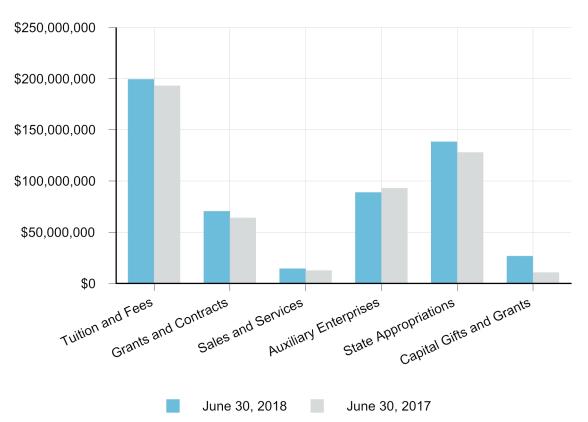
Other revenues, expenses, gains, losses and special items increased by \$16,007,743 primarily due to the capital gift of a building completed in 2018 and gifted to the University by GSFIC.

REVENUES BY SOURCE	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 199,435,290	193,196,541	\$ 6,238,749	3.23%
Grants and Contracts	2,679,948	2,979,895	(299,947)	-10.07%
Sales and Services	14,560,244	12,731,745	1,828,499	14.36%
Auxiliary Enterprises	89,035,609	93,213,224	(4,177,615)	-4.48%
Other Operating Revenues	1,975,087	3,502,990	(1,527,903)	-43.62%
Total Operating Revenues	307,686,178	305,624,395	2,061,783	0.67%
State Appropriations	138,475,446	128,128,428	10,347,018	8.08%
Grants and Contracts	67,879,622	61,305,707	6,573,915	10.72%
Gifts	4,456,119	1,147,657	3,308,462	288.28%
Investment Income	915,610	757,792	157,818	20.83%
Other Nonoperating Revenues	(25,044)	(217,200)	192,156	-88.47%
Total Nonoperating Revenues	211,701,753	191,122,384	20,579,369	10.77%
State Capital Gifts and Grants	22,073,032	2,799,370	19,273,662	688.50%
Other Capital Gifts and Grants	4,701,096	7,967,015	(3,265,919)	-40.99%
Total Capital Gifts and Grants	26,774,128	10,766,385	16,007,743	148.68%
Total Revenues	\$ 546,162,059	\$ 507,513,164	\$ 38,648,895	7.62%



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

Revenue by major source for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:



**Revenue Source by Major Source** 

### Expenses

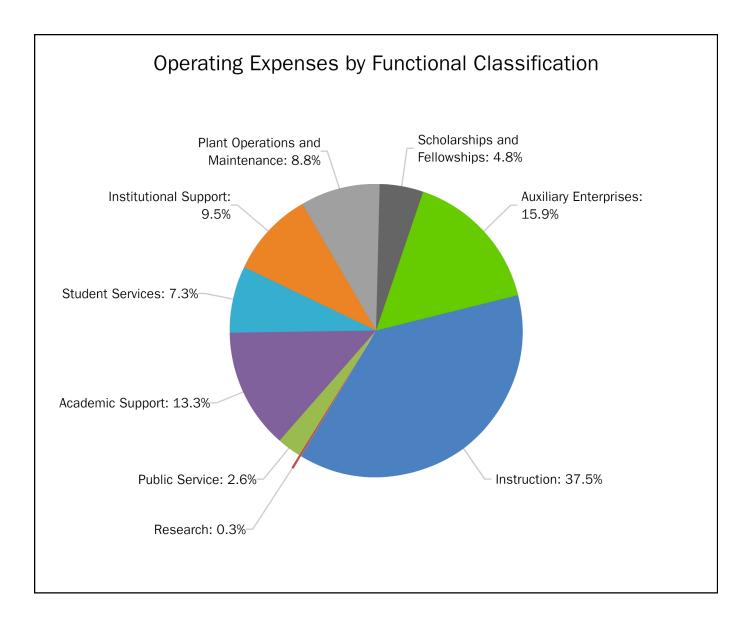
For the years ended June 30, 2018 and June 30, 2017, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2018	June 30, 2017 (1)	Increase/ (Decrease)	% Change
Instruction	189,100,651	177,562,016	11,538,635	6.50 %
Research	1,304,370	1,709,730	(405,360)	-23.71 %
Public Service	13,322,390	11,406,213	1,916,177	16.80 %
Academic Support	67,116,796	61,478,074	5,638,722	9.17 %
Student Services	37,104,374	36,094,351	1,010,023	2.80 %
Institutional Support	47,805,571	42,929,284	4,876,287	11.36 %
Plant Operations and Maintenance	44,458,486	42,244,781	2,213,705	5.24 %
Scholarships and Fellowships	24,309,914	20,440,159	3,869,755	18.93 %
Auxiliary Enterprises	80,300,133	80,406,817	(106,684)	-0.13 %
Total Operating Expenses	504,822,685	474,271,425	30,551,260	6.44 %
Interest Expense	15,222,081	16,005,862	(783,781)	-4.90 %
Total Nonoperating Expenses	15,222,081	16,005,862	(783,781)	(4.90)%
Total Expenses	520,044,766	490,277,287	29,767,479	6.07 %

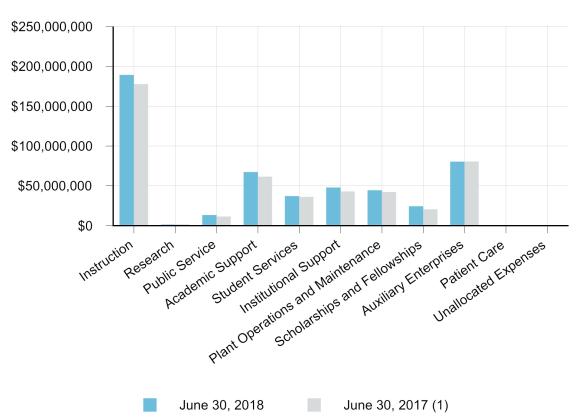
(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

Total operating expenses were \$504,882,685 in fiscal year 2018, an increase of \$30,551,260 when compared with fiscal year 2017. These increases are primarily attributable to an increase in Instruction of \$11,538,635, Academic Support of \$5,638,722 and Institutional Support of \$4,876,287. From a natural view, expenses increased primarily in Salaries and Benefits by \$31,499,554. Of this \$11,329,332 was for faculty salaries and \$13,499,615 was related to employee benefit expenses which increased mainly due to increased OPEB expenses as previously discussed. An increase in scholarship expense was more than offset by a decrease in supplies and materials spending.

The following chart depicts the fiscal 2018 operating expenses by functional classification.



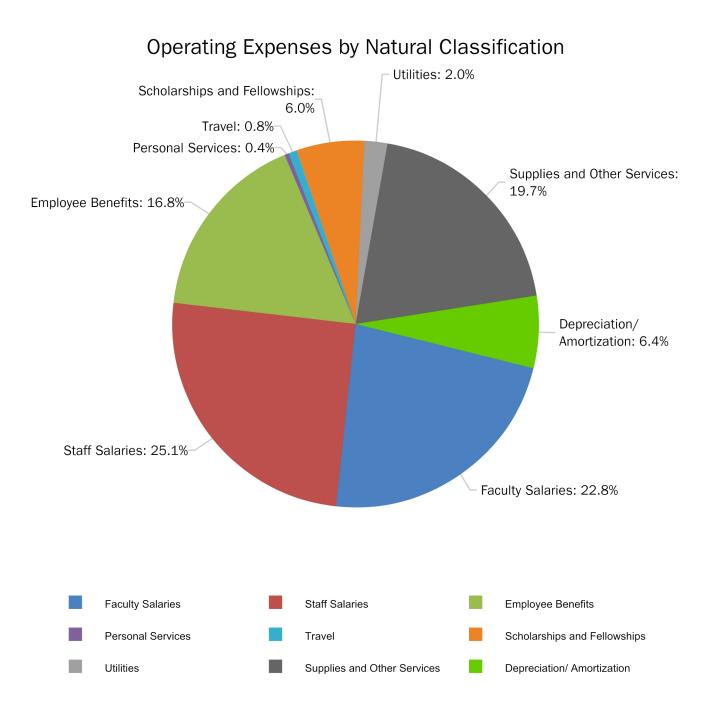
Operating expenses by by functional classification for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:



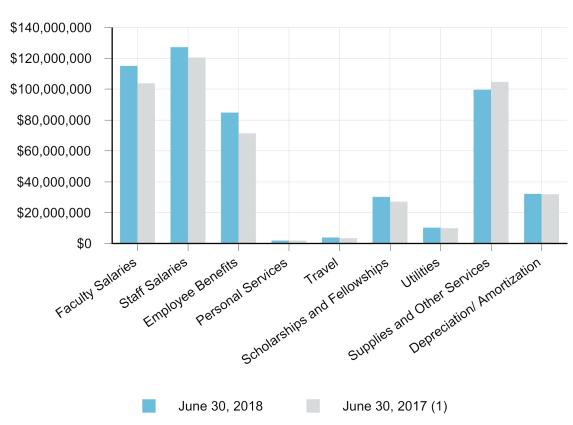
**Operating Expenses by Functional Classification** 

(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

The following chart depicts the fiscal 2018 operating expenses by natural classification:



Operating expenses by by natural classification for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:



**Operating Expenses by Natural Classification** 

(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

# **Statement of Cash Flows**

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

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2018	June 30, 2017 (1)
Cash Provided (Used) by:		
Operating Activities	\$ (159,713,382)	\$ (130,084,458)
Non-Capital Financing Activities	210,232,854	188,129,822
Capital and Related Financing Activities	(41,171,155)	(41,667,511)
Investing Activities	637,252	399,678
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,985,569	16,777,531
Cash and Cash Equivalents, beginning of year	99,371,173	82,593,642
Cash and Cash Equivalents, end of year	\$ 109,356,742	\$ 99,371,173

(1) The June 30, 2017 amounts have not been restated for the effects of the implementation of GASB No. 75. See Note 17 Post-Employment Benefits Other than Pension Benefits

# **Capital Assets**

Capital assets, net of accumulated depreciation, at June 30, 2018 and June 30, 2017 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	J	une 30, 2018	J	une 30, 2017	Increase (Decrease)	% Change
Land	\$	36,382,142	\$	35,770,057	\$ 612,085	1.71%
Capitalized Collections		5,158,373		5,131,895	26,478	0.52%
Construction Work-in-Progress		10,031,395		16,660,712	(6,629,317)	-39.79%
Infrastructure		9,718,856		7,521,122	2,197,734	29.22%
Building and Building Improvements		548,621,960		542,389,637	6,232,323	1.15%
Facilities and Other Improvements		4,583,943		3,268,105	1,315,838	40.26%
Equipment		19,032,144		18,131,719	900,425	4.97%
Library Collections		1,709,970		1,752,241	(42,271)	-2.41%
Capitalized Collections		4,408,218		4,555,450	(147,232)	-3.23%
Capital Assets, net of accumulated depreciation	\$	639,647,001	\$	635,180,938	\$ 4,466,063	0.70%

In 2018, the Bagwell Education Building was completed which was funded by Georgia State Financing and Investment Commission (GSFIC). Other renovations in various other campus buildings and improvements in the WiFi network were also completed.

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

### **Long-Term Liabilities**

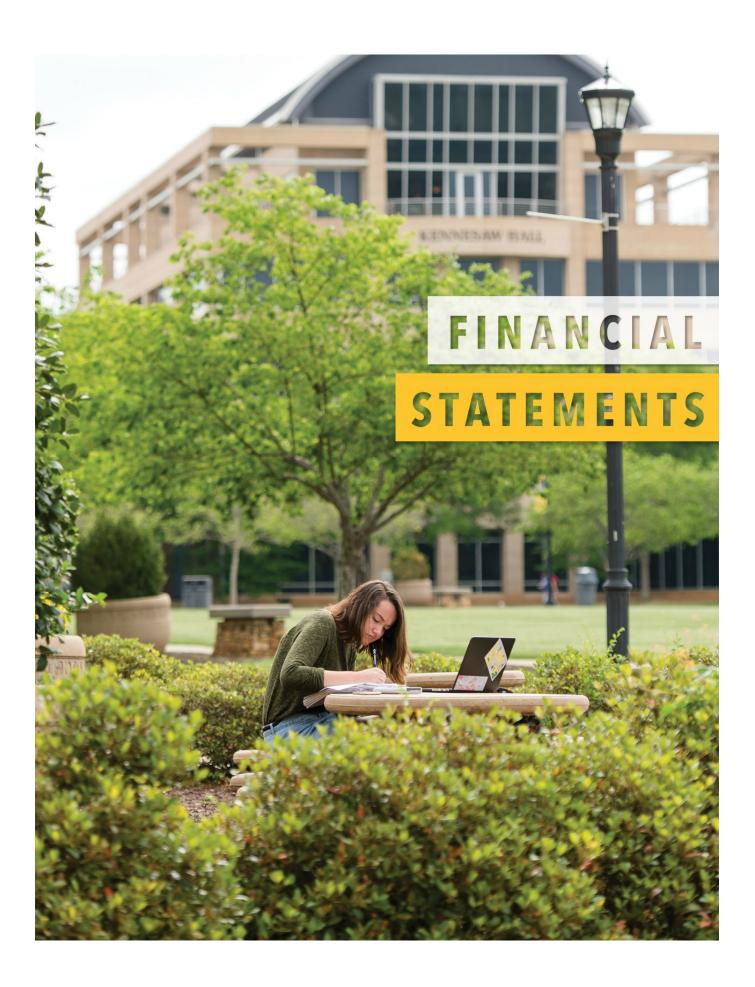
Kennesaw State University had Long-Term Liabilities of \$708,170,430 of which \$19,189,180 was reflected as current liability at June 30, 2018.

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 the last and will maintain a close watch over resources to maintain the Institution's ability to react to unknown internal and external issues.



# Financial Statements (GAAP Basis)

# KENNESAW STATE UNIVERSITY STATEMENT OF NET POSITION JUNE 30, 2018

	Kennesaw State University		Component Unit	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$	109,183,734	\$ 17,918,782	
Cash and Cash Equivalents (Externally Restricted)	Ŷ	173,008	· · · · · · · · · · · · · · · · · · ·	
Short-term Investments			12,349,804	
Accounts Receivable, net			,	
Federal Financial Assistance		4,194,303	_	
Affiliated Organizations		5,219,697	_	
Component Unit		1,599,220	_	
Primary Government		.,000,220	346,542	
Pledges and Contributions		_	3,493,880	
Other		11,562,553	300,459	
Investment in Capital Leases - Primary Government			9,234,713	
Inventories		3,622,861		
Prepaid Items		5,870,678	226,338	
Total Current Assets		141,426,054	43,870,518	
Non-Current Assets				
Accounts Receivable, net				
Due From USO - Capital Liability Reserve Fund		2,098,531	_	
Pledges and Contributions		_	5,900,843	
Investments		204,358	15,095,722	
Notes Receivable, net		561,540	· · · · _	
Investment in Capital Leases - Primary Government		, 	219,778,178	
Non-current Cash (Externally Restricted)		_	53,669,323	
Investments (Externally Restricted)		4,707,634	35,739,920	
Capital Assets, net		639,647,001	87,213,893	
Total Non-Current Assets		647,219,064	417,397,879	
TOTAL ASSETS		788,645,118	461,268,397	
DEFERRED OUTFLOWS OF RESOURCES	\$	59,268,214	\$	

# KENNESAW STATE UNIVERSITY STATEMENT OF NET POSITION JUNE 30, 2018

	Kennesaw State	e University	Com	oonent Unit
LIABILITIES				
Current Liabilities				
Accounts Payable	\$	11,670,658	\$	9,473,772
Salaries Payable		2,135,664		_
Benefits Payable		671,312		_
Contracts Payable		99,181		_
Retainage Payable		440,221		_
Due to Affiliated Organizations		211,095		_
Due to Component Unit		346,542		_
Due to Primary Government		_		1,599,219
Advances (Including Tuition and Fees)		19,504,017		1,068,340
Deposits		1,061,228		29,678
Deposits Held for Other Organizations		1,892,273		_
Other Liabilities		282,807		_
Lease Purchase Obligations - External		1,218,216		_
Lease Purchase Obligations - Component Unit		9,234,713		_
Revenue Bonds and Notes Payable		_		12,715,000
Liabilities Under Split Interest Agreements		_		35,782
Compensated Absences		8,736,251		_
Total Current Liabilities		57,504,178		24,921,791
Non-Current Liabilities				
Lease Purchase Obligations - External		52,813,244		_
Lease Purchase Obligations - Component Unit		219,778,178		_
Revenue Bonds and Notes Payable		_		362,381,063
Liabilities Under Split Interest Agreements		_		55,941
Compensated Absences		2,822,257		_
Net Other Post Employment Benefits Liability		246,184,631		_
Net Pension Liability		167,382,940		_
Total Non-Current Liabilities		688,981,250		362,437,004
TOTAL LIABILITIES		746,485,428		387,358,795
DEFERRED INFLOWS OF RESOURCES		79,518,373		
NET POSITION				
Net Investment in Capital Assets		296,117,362		(34,972,296)
Restricted for:		,		(= :,0: =,200)
Nonexpendable		4,627,307		39,189,061
Expendable		1,497,759		23,557,184
Unrestricted (Deficit)		(280,332,897)		46,135,653
TOTAL NET POSITION	\$	21,909,531	\$	73,909,602

# KENNESAW STATE UNIVERSITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR FISCAL YEAR ENDED JUNE 30, 2018

	Kennesaw State University	Component Unit	
OPERATING REVENUES			
Student Tuition and Fees (net)	\$ 199,435,290 \$	_	
Grants and Contracts			
Federal	1,740,727	_	
State	564,928	_	
Other	374,293	_	
Sales and Services	14,560,244	518,047	
Rents and Royalties	1,543,310	44,537,667	
Auxiliary Enterprises			
Residence Halls	16,623,733	_	
Bookstore	13,110,592	_	
Food Services	23,163,050	_	
Parking/Transportation	10,782,630	_	
Health Services	3,505,173	_	
Intercollegiate Athletics	15,522,822	_	
Other Organizations	6,327,609	_	
Gifts and Contributions	_	8,189,839	
Endowment Income	_	1,458,003	
Other Operating Revenues	431,777		
Total Operating Revenues	307,686,178	54,703,556	
OPERATING EXPENSES			
Faculty Salaries	115,043,096	_	
Staff Salaries	127,159,301	2,560,101	
Employee Benefits	84,830,407	_	
Other Personal Services	1,840,126	61,564	
Travel	3,814,479	14,499	
Scholarships and Fellowships	30,119,620	1,717,943	
Utilities	10,250,657	3,089,441	
Supplies and Other Services	99,626,043	14,726,215	
Depreciation	32,138,956	5,117,855	
Total Operating Expenses	504,822,685	27,287,618	
Operating Income (Loss)	\$ (197,136,507) \$	27,415,938	

# KENNESAW STATE UNIVERSITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR FISCAL YEAR ENDED JUNE 30, 2018

	Kennesaw State University		Component Unit	
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$	138,475,446	\$	
Grants and Contracts			—	
Federal		63,675,135	—	
State		400,139	—	
Other		3,804,348	—	
Gifts		4,456,119	—	
Investment Income		915,610	2,397,293	
Interest Expense		(15,222,081)	(14,203,670)	
Other Nonoperating Revenues (Expenses)		(25,044)		
Net Nonoperating Revenues (Expenses)		196,479,672	(11,806,377)	
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		(656,835)	15,609,561	
Capital Grants and Gifts				
State		22,073,032	_	
Other		4,701,096	_	
Additions to Permanent and Term Endowments		_	2,479,301	
Special Item			(4,795,955)	
Total Other Revenues, Expenses, Gains or Losses		26,774,128	(2,316,654)	
Change in Net Position		26,117,293	13,292,907	
Net Position, Beginning of Year, As Originally Reported		229,560,907	64,316,199	
Prior Year Adjustments		(233,768,669)	(3,699,504)	
Net Position, Beginning of Year, Restated		(4,207,762)	60,616,695	
Net Position, End of Year	\$	21,909,531	\$ 73,909,602	

# KENNESAW STATE UNIVERSITY STATEMENT OF CASH FLOWS FOR FISCAL YEAR ENDED JUNE 30, 2018

	Kennesaw State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 307,001,261
Grants and Contracts (Exchange)	1,956,983
Payments to Suppliers	(193,106,672)
Payments to Employees	(245,516,381)
Payments for Scholarships and Fellowships	(30,119,620)
Loans Issued to Students	(338,196)
Collection of Loans from Students	409,243
Net Cash Used by Operating Activities	(159,713,382)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	138,475,446
Agency Funds Transactions - Receipts	477,833,916
Agency Funds Transactions - Disbursements	(478,333,384)
Gifts and Grants Received for Other Than Capital Purposes	72,268,673
Other Non-Capital Financing Payments	(11,797)
Net Cash Flows Provided by Non-Capital Financing Activities	210,232,854
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	5,370,600
Purchases of Capital Assets	(21,322,217)
Principal Paid on Capital Debt and Leases	(10,089,493)
Interest Paid on Capital Debt and Leases	(15,130,045)
Net Cash Used by Capital and Related Financing Activities	(41,171,155)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	637,252
Net Cash Provided by Investing Activities	637,252
Net Increase in Cash and Cash Equivalents	9,985,569
Cash and Cash Equivalents, Beginning of Year	99,371,173
Cash and Cash Equivalents, End of Year	\$ 109,356,742

# KENNESAW STATE UNIVERSITY STATEMENT OF CASH FLOWS FOR FISCAL YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: Operating Loss Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities Depreciation 32,138,956 Operating Expenses Related to Noncash Gifts 41,212 Change in Assets and Liabilities: Receivables, net (1,056,294) Inventories (424,066) Prepaid Items (579,912) Notes Receivable, Net 71,047 Accounts Payable 459,921 Deposits 1,018,820 Advances (Including Tuition and Fees) 924,495 Other Liabilities 65,008 Compensated Absences 270,724 Due to Affiliated Organizations (992,395) Net Pension Liability (11,707,465) Other Post-Employment Benefit Liability 6,666,060 Change in Deferred Inflows/Outflows of Resources: Deferred Outflows of Resources 17,535,918 Deferred Outflows of Resources (2,307,092) Net Cash Used by Operating Activities Accounts Receivable Accrual, Net of Allowances \$20,713,382) NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS Capital Financing Activities Accounts Receivable Accrual, Net of Allowances \$21,612,221 Loss on Disposal of Capital Assets \$21,612,221 Loss on Disposal of Capital Assets \$21,612,221 Loss on Disposal of Capital Assets Beginning Balance Ran Through Current Year Activity \$25,377			Kennesaw State University	
Operating Loss       \$ (197,136,507)         Adjustments to Reconcile Net Operating Loss to       Net Cash Used by Operating Activities         Depreciation       32,138,956         Operating Expenses Related to Noncash Gifts       41,212         Change in Assets and Liabilities:       Receivables, net         Receivables, net       (1,056,294)         Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (46,41,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       660,080         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND         RELATED FINANCING TRANSACTIONS       \$ 21,612,221         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	RECONCILIATION OF OPERATING LOSS TO			
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities Depreciation 32,138,956 Operating Expenses Related to Noncash Gifts 41,212 Change in Assets and Liabilities: Receivables, net (1,056,294) Inventories (424,066) Prepaid Items (579,912) Notes Receivable, Net 71,047 Accounts Payable 44,641,812) Salaries Payable 44,641,812) Salaries Payable 44,641,812) Salaries Payable 44,641,812 Salaries Payable 44,641,812 Salaries Payable 44,641,812 Salaries Payable 55,008 Compensated Absences 270,724 Due to Affiliated Organizations (992,395) Net Pension Liability (11,707,465) Other Post-Employment Benefit Liability 6,606,060 Change in Deferred Inflows/Outflows of Resources: Deferred Outflows of Resources Deferred Outflows of Resources (2,307,092) Net Cash Used by Operating Activities (2,307,092) Net Cash Used by Operating Activities (2,307,092) Net Cash Used by Operating Activities (3,317,562) Capital Financing Activities Accounts Receivable Accrual, Net of Allowances (3,317,562) (3,	NET CASH USED BY OPERATING ACTIVITIES:			
Net Cash Used by Operating Activities       32,138,956         Depreciation       32,138,956         Operating Expenses Related to Noncash Gifts       41,212         Change in Assets and Liabilities:       (1,056,294)         Receivables, net       (1,056,294)         Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       2         Deferred Outflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ 21,612,221         Satial Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 21,612,2	Operating Loss	\$	(197,136,507)	
Depreciation       32,138,956         Operating Expenses Related to Noncash Gifts       41,212         Change in Assets and Liabilities:       Receivables, net         Receivables, net       (1,056,294)         Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       (11,707,465)         Other Post-Employment Benefit Liability       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 21,612,221         Gift of Capital Assets       \$ 17,562         Adjustments to Capital Assets       \$ 17,7562         Adjustments to Capital Assets       \$	Adjustments to Reconcile Net Operating Loss to			
Operating Expenses Related to Noncash Gifts       41,212         Change in Assets and Liabilities:       Receivables, net       (1,056,294)         Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       (4,641,812)         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       (11,707,465)         Other Post-Employment Benefit Liability       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND         RELATED FINANCING TRANSACTIONS       \$ 21,612,221         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 21,612,221         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 17,562         Adjustments to Capital Asset S       \$ 21,617,7562         Adjustments to Cap	Net Cash Used by Operating Activities			
Change in Assets and Liabilities: <ul> <li>Receivables, net</li> <li>(1,056,294)</li> <li>Inventories</li> <li>(424,066)</li> <li>Prepaid Items</li> <li>(579,912)</li> </ul> Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       (4,641,812)         Salaries Payable       (4,641,812)         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       (6,606,060)         Change in Deferred Inflows/Outflows of Resources:       26,607,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 21,612,221         Gift of Capital Assets       3 177,562         Adjustments to Capital Assets       3 17,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377 </td <td>Depreciation</td> <td></td> <td>32,138,956</td>	Depreciation		32,138,956	
Receivables, net       (1.056,294)         Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,600         Change in Deferred Inflows/Outflows of Resources:       2         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (21,612,221         Sciptal Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ (21,612,221         Gift of Capital Assets       \$ (21,612,221         Loss on Disposal of Capital Assets       \$ (21,612,221	Operating Expenses Related to Noncash Gifts		41,212	
Inventories       (424,066)         Prepaid Items       (579,912)         Notes Receivable, Net       71,047         Accounts Payable       (4,641,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       2         Deferred Outflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (21,612,221         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ (21,612,221         Gift of Capital Assets       \$ (21,612,221         Loss on Disposal of Capital Asset Beginning Balance Ran Through Curren	Change in Assets and Liabilities:			
Prepaid Items       (579.912)         Notes Receivable, Net       71.047         Accounts Payable       (4.641,812)         Salaries Payable       (4.641,812)         Salaries Payable       (4.641,812)         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (192,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Inflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 216,612,221         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377 <td>Receivables, net</td> <td></td> <td>(1,056,294)</td>	Receivables, net		(1,056,294)	
Notes Receivable, Net     71,047       Accounts Payable     (4,641,812)       Salaries Payable     459,921       Deposits     1,018,820       Advances (Including Tuition and Fees)     924,495       Other Liabilities     65,008       Compensated Absences     270,724       Due to Affiliated Organizations     (992,395)       Net Pension Liability     (11,707,465)       Other Post-Employment Benefit Liability     6,606,060       Change in Deferred Inflows/Outflows of Resources:     17,535,918       Deferred Outflows of Resources     (2,307,092)       Net Cash Used by Operating Activities     \$ (159,713,382)       NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS       Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       Gift of Capital Assets       Acjustments to Capital Assets       Acjustments to Capital Assets       Acjustments to Capital Asset       Son Disposal of Capital Asset       Acjustments to Capital Asset       Beinnents to Capital Asset	Inventories		(424,066)	
Accounts Payable       (4,641,812)         Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       12,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 21,612,221         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Assets Beginning Balance Ran Through Current Year Activity       \$ 251,377	Prepaid Items		(579,912)	
Salaries Payable       459,921         Deposits       1,018,820         Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 216,612,221         Gift of Capital Assets       \$ 216,12,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Notes Receivable, Net		71,047	
Deposits1,018,820Advances (Including Tuition and Fees)924,495Other Liabilities65,008Compensated Absences270,724Due to Affiliated Organizations(992,395)Net Pension Liability(11,707,465)Other Post-Employment Benefit Liability6,606,060Change in Deferred Inflows/Outflows of Resources:17,535,918Deferred Outflows of Resources(2,307,092)Net Cash Used by Operating Activities\$ (159,713,382)NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND\$ (159,713,382)NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND\$ 286,577RELATED FINANCING TRANSACTIONS\$ 21,612,221Capital Financing Activities Accounts Receivable Accrual, Net of Allowances\$ 286,577Gift of Capital Assets\$ 177,562Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity\$ 251,377	Accounts Payable		(4,641,812)	
Advances (Including Tuition and Fees)       924,495         Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ (21,612,221         Gift of Capital Assets       \$ (177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ (251,377	Salaries Payable		459,921	
Other Liabilities       65,008         Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (2,307,092)         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ (159,713,382)         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ (286,577)         Gift of Capital Assets       \$ (177,562)         Loss on Disposal of Capital Assets       \$ (177,562)         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ (251,377)	Deposits		1,018,820	
Compensated Absences       270,724         Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ 286,577         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 177,562         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Advances (Including Tuition and Fees)		924,495	
Due to Affiliated Organizations       (992,395)         Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Other Liabilities		65,008	
Net Pension Liability       (11,707,465)         Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Inflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Compensated Absences		270,724	
Other Post-Employment Benefit Liability       6,606,060         Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Inflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Due to Affiliated Organizations		(992,395)	
Change in Deferred Inflows/Outflows of Resources:       17,535,918         Deferred Inflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Net Pension Liability		(11,707,465)	
Deferred Inflows of Resources       17,535,918         Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Other Post-Employment Benefit Liability		6,606,060	
Deferred Outflows of Resources       (2,307,092)         Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND       \$ (159,713,382)         RELATED FINANCING TRANSACTIONS       Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Change in Deferred Inflows/Outflows of Resources:			
Net Cash Used by Operating Activities       \$ (159,713,382)         NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND         RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances         Gift of Capital Assets         Loss on Disposal of Capital Assets         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	Deferred Inflows of Resources		17,535,918	
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND         RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances         Gift of Capital Assets         Loss on Disposal of Capital Assets         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	Deferred Outflows of Resources		(2,307,092)	
RELATED FINANCING TRANSACTIONS         Capital Financing Activities Accounts Receivable Accrual, Net of Allowances       \$ 286,577         Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Net Cash Used by Operating Activities	\$	(159,713,382)	
Gift of Capital Assets       \$ 21,612,221         Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377				
Loss on Disposal of Capital Assets       \$ 177,562         Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity       \$ 251,377	Capital Financing Activities Accounts Receivable Accrual, Net of Allowances		286,577	
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity \$ 251,377	Gift of Capital Assets		21,612,221	
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity         \$         251,377	Loss on Disposal of Capital Assets		177,562	
	Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	\$	251,377	
Accrual of Capital Asset Related Payables \$ (831,236)	Accrual of Capital Asset Related Payables		(831,236)	
Recognition of Capital Financing Activities Advances and Deferred Inflows\$ 3,641,327Amortization of Deferred Gain/Loss of Capital Debt Refunded\$ (92,036)		\$	3,641,327	
Amortization of Deferred Gain/Loss of Capital Debt Refunded \$ (92,036)	Amortization of Deferred Gain/Loss of Capital Debt Refunded	\$	(92,036)	
Unrealized Gain/Loss on Investments \$ 278,358	Unrealized Gain/Loss on Investments	\$	278,358	



# Notes to the Financial Statements

# KENNESAW STATE UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

# Note 1 Summary of Significant Accounting Policies

# Nature of Operations

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

# **Reporting Entity**

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, the discretely presented component unit of the State, as discussed below, has been included since it has been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

# **Discretely Presented Component Unit**

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

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

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

# **Basis of Accounting and Financial Statement Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

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

# **New Accounting Pronouncements**

For fiscal year 2018, the University adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses accounting and financial reporting issues regarding in-substance defeasance of debt. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues identified during implementation and application of certain other GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The objective of this Statement is to improve the usefulness of information about post employment benefits other than pensions. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

### Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund and the Board of Regents Total Return Fund are included as investments.

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

#### **Accounts Receivable**

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

#### Inventories

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

#### **Prepaid Items**

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2018 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 University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

### Capital Liability Reserve Fund

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

### **Deferred Outflows of Resources**

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

### Deposits

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

### Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

# **Deposits Held for Other Organizations**

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

# **Compensated Absences**

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

# **Non-current Liabilities**

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

# **Deferred Inflows of Resources**

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

# **Other Post-Employment Benefit (OPEB)**

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

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

### Pensions and Net Pension Liability

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

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

#### **Service Concession Arrangements**

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

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

#### **Net Position**

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

*Restricted - non-expendable net position* includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

#### **Income Taxes**

The University, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

#### **Classification of Revenues and Expenses**

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

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

#### **Scholarship Allowances**

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$55,198,202.

#### **Restatement of Prior Year Net Position**

The University made the following restatements:

	Business-type Activities			Discretely Presented Component Units		
Net position, beginning of year, as originally reported	\$	229,560,907	\$	64,316,199		
Change in financial reporting entity				(3,699,504)		
Change in accounting principles		(233,768,669)				
Net position, beginning of year, restated	\$	(4,207,762)	\$	60,616,695		

#### **Changes in Financial Reporting Entity**

The determination was made that Kennesaw State University Athletic Association, Inc. no longer met requirements for inclusion as discretely presented component units, which decreased beginning net position in the amount of \$3,699,504.

#### **Changes in Accounting Principles**

For fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan and the restatement of the July 1, 2017 net position balance.

# Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$ 109,183,734
Cash and Cash Equivalents (Externally Restricted)	173,008
Non Current - Investments	204,358
Noncurrent Investments (Externally Restricted)	4,707,634
	\$ 114,268,734

Cash on hand, deposits and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 87,575
Deposits with Financial Institutions	70,863,774
Investments	43,317,385
	\$ 114,268,734

#### A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

- 1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
- 2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
- 3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- 4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
- 5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
- 6. Letters of credit issued by a Federal Home Loan Bank.
- 7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

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

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

At June 30, 2018, the bank balances of the University's deposits totaled \$73,125,343. Of these deposits, \$0 were exposed to custodial credit risk.

#### **B. Investments**

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

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

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

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

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

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2018.

		Fair Value Hierarchy
	Fair Value	Level 1
Investment type: Equity Securities - Domestic	204,358	\$ 204,358
Investment Pools		
Board of Regents		
Short-Term Fund	38,405,394	
Legal Fund	589,903	
Balanced Income Fund	1,013,932	
Total Return Fund	3,103,798	
Total Investments	\$ 43,317,385	

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

#### Board of Regents Pooled Investment Program

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

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the

citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

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

#### 1. Short-Term Fund

The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of <sup>3</sup>/<sub>4</sub> - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2018 was \$38,405,394, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.71 years.

#### 2. Legal Fund

The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2018 was \$589,903, of which 100% is invested in debt securities. The Effective Duration of the Fund is 4.05 years.

#### 3. Balanced Income Fund

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

The equity allocation shall range between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 70%, with a target of 65% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2018 was \$1,013,932, of which 68% is invested in debt securities. The Effective Duration of the Fund is 4.01 years.

#### 4. Total Return Fund

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

The equity allocation shall range between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 30% and 40%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Total Return Fund at June 30, 2018 was \$3,103,798, of which 29% is invested in debt securities. The Effective Duration of the Fund is 5.63 years.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk for investments.

#### Custodial Credit Risk

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

At June 30, 2018, \$0 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

#### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk for investments and does not have exposure to credit quality risk at June 30, 2018.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing concentration of credit for investments and has no exposure to concentration of credit risk at June 30, 2018.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Exposure to foreign currency credit risk is limited to funds maintained in foreign accounts for the Study Abroad Program. The University does not have a formal policy for managing foreign currency risk and does not have any exposure to foreign currency risk at June 30, 2018.

## Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2018:

	Business Type Activities		
Student Tuition and Fees	\$	5,612,945	
Auxiliary Enterprises and Other Operating Activities		4,886,341	
Federal Financial Assistance		4,194,303	
Georgia State Financing and Investment Commission		313,682	
Due from Affiliated Organizations		5,219,696	
Due from Component Unit		1,599,220	
Due From Other USG Institutions		2,098,531	
Other		6,340,261	
		30,264,979	
Less: Allowance for Doubtful Accounts		5,590,675	
Net Accounts Receivable	\$	24,674,304	

## Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

Consumable Supplies Merchandise for Resale	\$ 29,342 3,593,519
Total	\$ 3,622,861

# Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2018, the allowance for uncollectible loans was \$0.

# Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2018 are shown below:

	Balance						Balance
	July 1, 2017	Additions		Additions Reductions June 30		une 30, 2018	
Capital Assets, Not Being Depreciated:							
Land	\$ 35,770,057	\$	612,085	\$	_	\$	36,382,142
Capitalized Collections	5,131,895		26,478		—		5,158,373
Construction Work-in-Progress	16,660,712		11,207,580		17,836,897		10,031,395
Total Capital Assets Not Being Depreciated	57,562,664		11,846,143		17,836,897		51,571,910
Capital Assets, Being Depreciated/Amortized:							
Infrastructure	12,772,640		2,652,417		_		15,425,057
Building and Building Improvements	807,917,813		31,104,370		—		839,022,183
Facilities and Other Improvements	7,553,901		1,657,653		_		9,211,554
Equipment	55,075,049		7,196,074		3,133,185		59,137,938
Library Collections	28,164,402		332,011		219,558		28,276,855
Capitalized Collections	5,968,762		_		_		5,968,762
Total Capital Assets Being Depreciated/Amortized	917,452,567		42,942,525		3,352,743		957,042,349
Less: Accumulated Depreciation/Amortization							
Infrastructure	5,251,518		454,683		_		5,706,201
Building and Building Improvements	265,528,176		24,872,047		_		290,400,223
Facilities and Other Improvements	4,285,796		341,815		_		4,627,611
Equipment	36,943,330		5,948,694		2,786,230		40,105,794
Library Collections	26,412,161		374,485		219,761		26,566,885
Capitalized Collections	1,413,312		147,232		_		1,560,544
Total Accumulated Depreciation/Amortization	 339,834,293		32,138,956		3,005,991		368,967,258
Total Capital Assets, Being Depreciated/Amortized, Net	 577,618,274		10,803,569		346,752		588,075,091
Capital Assets, net	\$ 635,180,938	\$	22,649,712	\$	18,183,649	\$	639,647,001

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2018, GSFIC transferred capital additions from GSFIC managed projects valued at \$18,000,000 to the University. In

addition, at June 30, 2018, GSFIC had construction in progress of approximately \$2,027,283 for incomplete GSFIC managed projects for the University.

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

	Depreciation			
Fiscal Year	Expense			
2018	\$	32,138,956		
2017	\$	31,884,881		
2016	\$	31,708,533		

# Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2018:

	Cur	rent Liabilities
Prepaid Tuition and Fees	\$	16,632,149
Grants and Contracts		858,604
Other - Advances		2,013,264
Totals	\$	19,504,017

# Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2018 was as follows:

	(Restated)				
	Balance			Balance	Current
	July 1, 2017	Additions	Reductions	June 30, 2018	Portion
Leases					
Lease Purchase Obligations	293,371,930	_	10,327,579	283,044,351	10,452,929
Other Liabilities					
Compensated Absences	11,287,784	9,390,718	9,119,994	11,558,508	8,736,251
Net Pension Liability	179,090,405	6,156	11,713,621	167,382,940	
Net Other Post-Employment Benefits Liability	239,578,571	6,606,060	_	246,184,631	
Total	429,956,760	16,002,934	20,833,615	425,126,079	8,736,251
Total Long-Term Obligations	\$ 723,328,690	\$ 16,002,934	\$ 31,161,194	\$ 708,170,430	\$ 19,189,180

# Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2018, consisted of the following:

Deferred Outflows of Resources	
Deferred Loss on Debt Refunding	\$ 957,593
Deferred Loss on Defined Benefit Pension Plans (See Note 14)	38,171,523
Deferred Loss on OPEB Plan (See Note 17)	20,139,098
Total Deferred Outflows of Resources	\$ 59,268,214
Deferred Inflows of Resources	
Deferred Service Concession Arrangements	60,611,645
Deferred Gain on Defined Benefit Pension Plans (See Note 14)	2,048,640
Deferred Gain on OPEB Plan (See Note 17)	16,858,088
Total Deferred Inflows of Resources	\$ 79,518,373

#### **Deferred Loss/Gain on Debt Refunding**

The unamortized Deferred Gain on Debt Refunding at year end, related to refunding on two residence halls and a parking deck is \$957,953.

#### **Service Concessions Arrangements**

At June 30, 2018, Kennesaw State University (KSU) was a participant in four Service Concession Arrangements.

In August 2001, KSU entered into an agreement with KSUF whereby Kennesaw State University Foundation, Inc. (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, 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.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, 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.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, 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.

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

At June 30, 2018, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$60,611,645. For fiscal year 2018, the University reported a remaining deferred inflows of resources of \$60,611,645 and amortized revenue of \$3,641,327.

# Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2018 is as follows:

Net Investment in Capital Assets	\$ 296,117,362
Restricted for	
Nonexpendable	
Permanent Endowment	 4,627,307
Expendable	
Sponsored and Other Organized Activities	682,883
Federal Loans	715,182
Institutional Loans	99,694
Sub-Total	 1,497,759
Unrestricted	
Auxiliary Enterprises Operations	27,548,916
Auxiliary Enterprises Renewals and Replacement Reserve	8,768,481
Reserve for Encumbrances	43,373,809
Capital Liability Reserve Fund	2,098,531
Other Unrestricted (Deficit)	(362,122,634)
Sub-Total	 (280,332,897)
Total Net Position	\$ 21,909,531

In fiscal year 2018, the University implemented GASB Statement No. 75 which reduced other unrestricted net position by \$242,903,621, including \$233,768,699 as restatement of opening net position. This is related to the recording of net OPEB liability, deferred inflows of resources on OPEB plan, and deferred outflows of resources on OPEB plan. Other unrestricted net position also reflects the cumulative effect of \$131,260,057 related to the recording of net pension liability, deferred inflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans, and deferred outflows of resources on defined benefit pension plans per the fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These OPEB and pension balances are mostly funded through state appropriation, student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2018 are as follows:

		(Restated)					
		Balance					Balance
	July 1, 2017		Additions		 Reductions	J	une 30, 2018
Net Investments in Capital Assets	\$	278,269,993	\$	50,656,642	\$ 32,809,273	\$	296,117,362
Restricted Net Position		5,895,359		97,333,698	97,103,991		6,125,066
Unrestricted Net Position		(288,373,114)		448,853,405	 440,813,188		(280,332,897)
Total Net Position	\$	(4,207,762)	\$	596,843,745	\$ 570,726,452	\$	21,909,531

# **Note 11 Endowments**

#### **Donor Restricted Endowments**

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

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

# Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2018. The University did not have any other significant unearned outstanding construction or renovation contracts in the amount executed as of June 30, 2018.

#### Note 13 Leases

#### Lease Obligations

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

#### Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest expenditures related to capital leases for fiscal year 2018 were \$10,089,493 and \$15,130,045, respectively. Interest rates range from 3.1% to 12.7%.

The University has \$229,012,891 in outstanding lease obligations due to a component unit.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2018:

Description	Gross Amount		 ss: Accumulated Depreciation	Hel	, Capital Assets d Under Capital ase at June 30, 2018	Outstanding Balance per Lease Schedules at June 30, 2018		
		(+)	(-)		(=)			
Leased Land and Land Improvements	\$	19,879,664	\$ —	\$	19,879,664	\$	19,944,314	
Leased Buildings and Building Improvements		328,637,175	 112,917,546		215,719,629		263,100,037	
Total Assets Held Under Capital Lease	\$	348,516,839	\$ 112,917,546	\$	235,599,293	\$	283,044,351	

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

Description	Lessor	Or	iginal Principal	Lease Term	Begin Month/ Year	End Month/ Year	 Outstanding Principal
Frey Lake Road Houses	KSU Foundation	\$	2,907,645	12 years	Oct 2015	Apr, 2027	\$ 2,296,324
East & West Parking Decks	KSU Foundation		12,658,233	11 years	Oct 2015	Jun, 2026	9,597,472
Building Complex	KSU Foundation		1,747,658	19 years	June 2017	June 2036	1,613,545
Building Complex	KSU Foundation		4,054,414	19 years	June 2017	June 2036	3,998,802
North Parking Deck	KSU Foundation		10,435,200	14 years	October 2015	June 2029	8,396,540
Office Building	KSU Foundation		10,048,029	15 years	October 2015	June 2030	8,523,815
Classroom Building	KSU Foundation		953,858	24years	November 2006	August 2030	648,850
Central Parking Deck	KSU Foundation		28,528,584	21 years	February 2017	June 2038	27,320,043
Clinic	KSU Foundation		685,000	26 years	July 2010	June 2036	559,876
Dining Hall Facility	KSU Foundation		17,012,109	22 years	February 2017	June 2039	16,484,012
Multi-purpose Building	KSU Foundation		10,373,405	11 years	December 2008	June 2019	1,363,827
Sports Complex (1)	KSU Foundation		61,884,585	30 years	January 2008	June 2040	61,205,267
Student Housing	KSU Foundation		26,768,863	29 years	August 2012	June 2041	25,774,122
Student Recreation Center	KSU Foundation		43,053,851	28 years	July 2014	June 2042	41,509,043
Commons Housing	KSU Foundation		8,742,600	14 years	June 2013	June 2027	6,236,350
Courtyard Housing	KSU Foundation		18,387,400	16 years	June 2013	June 2029	13,485,003
Parking Deck	USG Real Estate Foundation		17,323,738	25 years	June 2015	June 2040	16,588,084
Housing / Dining	USG Real Estate Foundation		39,719,186	24 years	June 2015	June 2039	 37,443,376
Total Leases		\$	315,284,358				\$ 283,044,351

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

(1) In December 2017, Kennesaw State University Foundation Inc., refunded the bonds associated with this lease. As a result, the underlying interest rate on the lease changed from 5.228% to 5.128%.

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

#### **Operating Leases**

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2018 was \$1,271,532, which includes payments to related parties of \$0. The University is obligated to pay these related parties a total of \$0 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018, are as follows:

	Real Property and Equipment					
	Ca	pital Leases	Opera	ating Leases		
Year Ending June 30:						
2019	\$	27,630,634	\$	302,906		
2020		26,269,850		29,005		
2021		26,919,601		29,005		
2022		26,987,491		16,509		
2023		27,067,654				
2024 through 2028		131,476,942				
2029 through 2033		107,769,500				
2034 through 2038		102,463,032				
2039 through 2043		34,814,483				
Total Minimum Lease Payments		511,399,187	\$	377,425		
Less: Interest		180,670,867				
Less: Executory Costs		47,683,969				
Principal Outstanding	\$	283,044,351				

# Note 14. Retirement Plans

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

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

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

#### **General Information about the Teachers Retirement System**

#### Plan description

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

#### Benefits Provided

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

#### **Contributions**

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The University's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the University payroll. The University's contributions to TRS totaled \$19,646,648 for the year ended June 30, 2018.

#### 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 <u>ers.ga.gov/financials</u>.

#### Benefits provided

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

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

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

#### **Contributions**

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2017 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$33,651 for the year ended June 30, 2018. 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, 2018, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the University's TRS proportion was 0.898854%, which was an increase of 0.032355% from its proportion measured as of June 30, 2016. At June 30, 2017, the University's ERS proportion was 0.008080%, which was a increase of 0.001273% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$20,605,078 for TRS and \$67,690 for ERS. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS					ERS			
	Deferred Outflows of Resources			Deferred Inflows of Resources	Deferred Outflows of Resources			Deferred Inflows of Resources	
Differences between expected and actual experience	\$	6,248,878	\$	630,447	\$	3,596	\$	3	
Changes of assumptions		3,662,048		—		747		—	
Net difference between projected and actual earnings on pension plan investments		_		1,149,616		_		817	
Changes in proportion and differences between contributions and proportionate share of contributions		8,530,489		267,757		45,466		_	
Contributions subsequent to the measurement date		19,646,648		_		33,651			
Total	\$	38,088,063	\$	2,047,820	\$	83,460	\$	820	

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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
2019	\$ 1,225,500	\$ 29,215
2020	\$ 11,237,469	\$ 25,395
2021	\$ 6,693,522	\$ 3,684
2022	\$ (2,973,587)	\$ (9,305)
2023	\$ 210,691	\$ —
Thereafter	\$ —	\$ —

#### Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

#### Teachers Retirement System

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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

TRS target allocation	ERS target allocation	Long-term expected real rate of return*
30.00%	30.00%	(0.50)%
39.80%	37.20%	9.00 %
3.70%	3.40%	12.00 %
1.50%	1.40%	13.50 %
19.40%	17.80%	8.00 %
5.60%	5.20%	12.00 %
—%	5.00%	10.50 %
100.00%	100.00%	
	allocation 30.00% 39.80% 3.70% 1.50% 19.40% 5.60% —%	allocation         allocation           30.00%         30.00%           39.80%         37.20%           3.70%         3.40%           1.50%         1.40%           19.40%         17.80%           5.60%         5.20%          %         5.00%

\* Rates shown are net of the 2.75% 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 Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

#### Teachers Retirement System:

	1%			Current		1%
		Decrease		discount rate		Increase
		6.50%		7.50%		8.50%
Proportionate share of the net pension liability	\$	274,156,501	\$	167,054,784	\$	78,827,042
Employees' Retirement System:						
		1%		Current		1%
		Decrease		discount rate		Increase
		6.50%		7.50%		8.50%
Proportionate share of the net pension liability	\$	463,176	\$	328,156	\$	212,980

#### Pension plan fiduciary net position

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

## **B. Defined Contribution Plan:**

#### **Regents Retirement Plan**

#### Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

#### Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2018, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$9,032,090 (9.24%) and \$5,864,996 (6.00%), respectively.

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

# Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

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

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

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

The University is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

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

# Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

# Note 17 Post-Employment Benefits Other Than Pension Benefits

# Board of Regents Retiree Health Benefit Plan

## Plan Description and Funding Policy

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

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

The University's membership in the Plan consisted of the following at June 30, 2018:

Active Employees	3,361
Retirees or Beneficiaries Receiving Benefits	678
Retirees Receiving Life Insurance Only	113
Total	4,152

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

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2018, the University contributed \$9,499,540 to the plan for current premiums or claims.

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

At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the University's proportion was 5.834138%, which was an increase of 0.133217% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of \$18,634,452. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources
Differences between expected and actual experience	\$	5,974,323	\$	_
Changes of assumptions		—		16,858,088
Net difference between projected and actual earnings on OPEB plan investments		7,757		—
Changes in proportion and differences between contributions and proportionate share of contributions		4,657,478		_
Contributions subsequent to the measurement date		9,499,540		
Total	\$	20,139,098	\$	16,858,088

The University's contributions subsequent to the measurement date of \$9,499,540 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (1,255,896)
2020	\$ (1,255,896)
2021	\$ (1,255,896)
2022	\$ (1,255,896)
2023	\$ (1,194,946)
Thereafter	\$ —

#### Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/ losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2016 2.85% from Bond Buyer Interest Rate as of 6/30/2017 3.58% from Bond Buyer General Inflation 2.50% Salary Growth 3.00% Salary Scale 4.00%
Mortality Rates	Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014
	Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.3%
Medicare Eligible	7.3%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.7%
Year Ultimate Trend is Reached	2031 for Pre-Medicare Eligible, 2072 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia

#### Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Expected Return	Target Allocation
Cash Equivalents	2.6%	Less than 5%
Fixed Income		60% to 70%
Domestic Fixed Income (Corporate Long Term)	4.2%	
Domestic Fixed Income (Corporate Short Term)	3.5%	
International Fixed Income	4.9%	
Equity Allocation		30% to 40%
Domestic Equity (Large Cap)	6.5%	
International Equity	7.3%	

#### Discount rate

The Plan's projected fiduciary net position at the end of 2018 is \$0, based on the valuation completed for the fiscal year ending June 30, 2017. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2018. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.58% from the Bond Buyer.

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

The following presents the the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate (3.58%):

	19	% Decrease	C	Current Rate	1% Increase
		2.58%		3.58%	4.58%
Proportionate Share of the Net OPEB Liability	\$	294,095,300	\$	246,184,631	\$ 208,834,987

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

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

	1% E	Decrease	С	urrent Rate	1% Increase			
Proportionate Share of the Net OPEB Liability	\$	207,666,447	\$	246,184,631	\$	297,074,136		
Pre-Medicare Eligible Medicare Eligible		0		creasing to 4.5% creasing to 4.7%	8.3% decreasing to 5.5% 8.3% decreasing to 5.7%			

#### OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at <u>usg.edu/fiscal\_affairs/financial\_reporting/</u>.

# Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2018 are shown below:

		Natural Classification									
Functional Classification	Fa	Faculty Salaries Staff Salaries		Staff Salaries		Employee Benefits		Personal Services		Travel	
Instruction	\$	105,851,438	\$	20,673,964	\$	43,290,574	\$	562,850	\$	1,884,802	
Research		211,638		392,243		100,011		495		112,017	
Public Service		861,828		5,655,328		1,842,097		22,172		310,098	
Academic Support		7,016,460		31,073,503		10,710,362		7,593		487,849	
Student Services		454,483		19,408,543		6,251,496		52,701		260,845	
Institutional Support		641,648		18,562,399		11,958,550		1,018,170		231,263	
Plant Operations and Maintenance		_		12,703,642		4,824,446		_		66,656	
Scholarships and Fellowships		_		_		_		_		_	
Auxiliary Enterprises		5,601		18,689,679		5,852,871		176,145		460,949	
Total Operating Expenses	\$	115,043,096	\$	127,159,301	\$	84,830,407	\$	1,840,126	\$	3,814,479	

	Natural Classification									
Functional Classification	Scholarships and Fellowships Utilities		Utilities	ties Supplies and Other Services		Depreciation/ Amortization		Total Operating Expenses		
Instruction	\$	589,215	\$	537,619	\$	12,876,241	\$	2,833,948	\$	189,100,651
Research		13,100		94		393,878		80,894		1,304,370
Public Service		296,916		55,301		4,244,806		33,844		13,322,390
Academic Support		25,875		229,755		14,701,696		2,863,703		67,116,796
Student Services		800,900		794,634		5,365,911		3,714,861		37,104,374
Institutional Support		_		280,591		11,976,876		3,136,074		47,805,571
Plant Operations and Maintenance		_		6,300,658		13,269,519		7,293,565		44,458,486
Scholarships and Fellowships		24,309,914		_		_		_		24,309,914
Auxiliary Enterprises		4,083,700		2,052,005		36,797,116		12,182,067		80,300,133
Total Operating Expenses	\$	30,119,620	\$	10,250,657	\$	99,626,043	\$	32,138,956	\$	504,822,685

# Note 19 Component Unit

#### Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The KSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2017, the KSUF distributed approximately \$5,358,464 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

The determination was made that Kennesaw State University Athletic Association, Inc. no longer met the requirements for inclusion as a discretely presented component unit, as such beginning balances have been restated for the exclusion.

Component unit's investments are comprised of the following amounts at June 30, 2018:

	 Fair Value
Investment type	
Debt Securities	
U.S. Agencies	
Implicitly Guaranteed	12,095,905
Corporate Debt	13,920,429
Money Market Mutual Funds	3,864,128
Mutual Bond Funds	1,055,322
Other Investments	
Equity Mutual Funds - International	2,994,851
Equity Securities - Domestic	18,658,923
Equity Securities - International	4,531,978
Other	6,063,910
Total Investments	\$ 63,185,446

Component unit's noncurrent cash and cash equivalents are restricted assets limited as to use.

Component unit's endowments are comprised of the following amounts at June 30, 2018:

	Unrestricted/ Quasi Endowment	I	Temporarily Restricted/ m Endowment	Permanently Restricted/ le Endowment	Total
Beginning	\$ (123,092)	\$	7,110,462	\$ 33,564,962	\$ 40,552,332
Contributions	_		51,459	1,897,580	1,949,039
Net realized and unrealized gains	52,318		3,025,414	—	3,077,732
Appropriation of endowment assets for expenditure	_		(1,458,003)	—	(1,458,003)
Transfers to comply with donor intent	 		11,125	 321,168	 332,293
Ending	\$ (70,774)	\$	8,740,457	\$ 35,783,710	\$ 44,453,393

Amounts due to component unit related to direct financing lease activity as of June 30, 2018 is as follows:

20191\$20,830,4212020219,603,7342021320,179,8492022420,184,2312023520,194,0862024420,555,755	Year Ending June 30:	Year:	
2021       3       20,179,849         2022       4       20,184,231         2023       5       20,194,086	2019	1	\$ 20,830,421
2022     4     20,184,231       2023     5     20,194,086	2020	2	19,603,734
2023 5 20,194,086	2021	3	20,179,849
	2022	4	20,184,231
	2023	5	20,194,086
2024 through 2028 6-10 96,559,725	2024 through 2028	6-10	96,559,725
2029 through 2033         11-15         73,992,105	2029 through 2033	11-15	73,992,105
2034 through 2038         16-20         68,696,213	2034 through 2038	16-20	68,696,213
2039 through 2043         21-25         27,745,986	2039 through 2043	21-25	27,745,986
Total Minimum Lease Payments to be Received         367,986,350	Total Minimum Lease Payments to be Received		367,986,350
Less: Unearned Income (138,973,459)	Less: Unearned Income		 (138,973,459)
Net Investment in Direct Financing Lease Receivable         \$         229,012,891	Net Investment in Direct Financing Lease Receivable		\$ 229,012,891

Component unit's capital assets are comprised of the following amounts at June 30, 2018:

Capital Assets not being Depreciated:	
Land	\$ 5,379,522
Capitalized Collections	553,650
Total Capital Assets not being Depreciated	 5,933,172
Capital Assets being Depreciated:	
Building and Building Improvements	135,742,323
Equipment	12,028,986
Software	82,581
Total Capital Assets being Depreciated/Amortized	 147,853,890
Less Total Accumulated Depreciation/Amortization	 66,573,169
Total Capital Assets being Depreciated/Amortized, Net	 81,280,721
Capital Assets, Net	\$ 87,213,893

Component unit's long-term liabilities are comprised of the following amounts at June 30, 2018:

	 Beginning Balance Restated	 Additions	 Reductions	Eı	nding Balance	mounts due hin One Year
Liabilities under Split Interest Agreement	\$ 126,136	\$ _	\$ 34,413	\$	91,723	\$ 35,782
Revenue/Mortgage Bonds Payable	375,765,000	42,580,000	55,340,000		363,005,000	12,715,000
Bond - Premium	14,918,071	4,841,969	2,070,454		17,689,586	_
Bond - (Discount and Issuance Cost)	 (6,349,897)	 (763,503)	 (1,514,881)		(5,598,519)	 _
Total Long Term Liabilities	\$ 384,459,310	\$ 46,658,466	\$ 55,929,986	\$	375,187,790	\$ 12,750,782

# Component unit's bonds payable are comprised of the following amounts at June 30,2018:

	 Principal	 Interest	 Total
Year ending June 30:			
2019	\$ 12,715,000	\$ 16,143,438	\$ 28,858,438
2020	12,575,000	15,502,378	28,077,378
2021	13,320,000	14,909,406	28,229,406
2022	14,465,000	14,295,240	28,760,240
2023	15,475,000	13,644,287	29,119,287
2024 through 2028	85,040,000	56,993,290	142,033,290
2029 through 2033	82,930,000	38,222,026	121,152,026
2034 through 2038	87,370,000	18,791,459	106,161,459
2039 through 2043	39,115,000	3,108,856	42,223,856
2044 through 2048			0
2049 through 2053			0
2054 through 2058	 		 0
	363,005,000	 191,610,380	 554,615,380
Bond Premium	17,689,586		17,689,586
Bond (Discount)	 -5,598,519		-5,598,519
	\$ 375,096,067	\$ 191,610,380	\$ 566,706,447



# Required Supplementary Information

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

	Year Ended	[	Actuarially Determined Contribution (a)	R	ontributions in elation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (C)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2018	\$	33,651	\$	33,651	\$ _	\$ 137,017	24.56%
	6/30/2017	\$	49,098	\$	49,098	\$ _	\$ 198,195	24.77%
	6/30/2016	\$	39,126	\$	39,126	\$ _	\$ 158,275	24.72%
	6/30/2015	\$	23,268	\$	23,268	\$ _	\$ 105,956	21.96%
	6/30/2014	\$	31,308	\$	31,308	\$ _	\$ 169,321	18.49%
	6/30/2013	\$	19,697	\$	19,697	\$ _	\$ 132,193	14.90%
	6/30/2012	\$	21,502	\$	21,502	\$ _	\$ 184,884	11.63%
	6/30/2011	\$	18,239	\$	18,239	\$ _	\$ 175,207	10.41%
	6/30/2010	\$	13,907	\$	13,907	\$ _	\$ 133,593	10.41%
	6/30/2009	\$	3,557	\$	3,557	\$ —	\$ 34,170	10.41%
Teachers' Retirement System	6/30/2018	\$	19,646,648	\$	19,646,648	\$ _	\$ 116,891,631	16.81%
-	6/30/2017	\$	14,757,957	\$	14,757,957	\$ _	\$ 103,247,814	14.29%
	6/30/2016	\$	13,576,004	\$	13,576,004	\$ _	\$ 95,179,702	14.26%
	6/30/2015	\$	11,607,133	\$	11,607,133	\$ _	\$ 88,267,171	13.15%
	6/30/2014	\$	8,326,658	\$	8,326,658	\$ _	\$ 66,613,266	12.50%
	6/30/2013	\$	7,777,316	\$	7,777,316	\$ _	\$ 68,172,439	11.41%
	6/30/2012	\$	6,932,081	\$	6,932,081	\$ _	\$ 67,432,695	10.28%
	6/30/2011	\$	6,425,378	\$	6,425,378	\$ —	\$ 62,503,677	10.28%
	6/30/2010	\$	5,761,703	\$	5,761,703	\$ —	\$ 59,155,062	9.74%
	6/30/2009	\$	5,101,073	\$	5,101,073	\$ —	\$ 54,968,459	9.28%

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

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

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

#### **KENNESAW STATE UNIVERSITY REQUIRED SUPPLEMENTARY INFORMATION** NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION **DEFINED BENEFIT PENSION PLANS** METHODS AND ASSUMPTIONS FOR FISCAL YEAR ENDED JUNE 30, 2018

#### Changes of assumptions

#### Employees' Retirement System:

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

Teachers Retirement System: In 2010 and later, the expectation of retired life mortality was changed to the RP–2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP–2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

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

Year Ended	ontractually Required ontribution (a)	Re Co	ntributions in elation to the ontractually Required contribution (b)	Contribution Deficiency (Excess) (b-a)	 Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2018	\$ 9,499,540	\$	9,499,540	\$ 	\$ 211,487,878	4.49%
6/30/2017	\$ 5,809,862	\$	5,809,862	\$	\$ 192,024,215	3.03%

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

#### KENNESAW STATE UNIVERSITY REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2018\*

Year Ended	Proportion of the Net OPEB Liability	portionate Share of he Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2018	5.834138%	\$ 246,184,631	\$ 192,024,215	128.20%	0.19%

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

#### KENNESAW STATE UNIVERSITY REQUIRED SUPPLEMENTARY INFORMATION NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN METHODS AND ASSUMPTIONS FOR FISCAL YEAR ENDED JUNE 30, 2018

#### Changes in Assumptions Since Prior Valuation

Expected claim costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, termination, retirement, and disabled mortality tables were updated to reflect the current Teachers Retirement System of Georgia methodology.



# **Supplementary Information**

#### KENNESAW STATE UNIVERSITY BALANCE SHEET (NON-GAAP BASIS) BUDGET FUNDS JUNE 30, 2018 (UNAUDITED)

ASSETS	
Cash and Cash Equivalents	\$ 65,441,476.36
Investments	101,030.34
Accounts Receivable	
Federal Financial Assistance	5,931,212.02
Other	12,826,478.21
Prepaid Expenditures	1,979,536.59
Inventories	29,341.42
Other Assets	 28,327.80
Total Assets	\$ 86,337,402.74
LIABILITIES AND FUND EQUITY	
Liabilities	
Accrued Payroll	\$ 1,747,630.37
Encumbrance Payable	39,279,461.67
Accounts Payable	5,875,799.38
Unearned Revenue	15,832,603.94
Other Liabilities	 96,000.00
Total Liabilities	 62,831,495.36
Fund Balances	
Reserved	
Department Sales and Services	8,259,731.80
Indirect Cost Recoveries	2,981,827.64
Technology Fees	3,506,375.69
Restricted/Sponsored Funds	274,189.47
Uncollectible Accounts Receivable	3,435,293.05
Tuition Carry - Forward	5,025,593.65
Unreserved	
Surplus	 22,896.08
Total Fund Balances	 23,505,907.38
Total Liabilities and Fund Balances	\$ 86,337,402.74

#### KENNESAW STATE UNIVERSITY STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE BUDGET FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

						 Funds Available Compared to Budget			
	Original Appropriation		Amended Appropriation		Final Budget	Current Year Revenues	Pri	or Year Reserve Carry-Over	
Public Service / Special Funding Initiatives									
State Appropriation									
State General Funds	758,162.00		758,162.00		758,162.00	758,162.00		_	
Teaching									
State Appropriation									
State General Funds	\$ 138,123,517.00	\$	138,123,517.00	\$	137,800,355.00	\$ 137,800,355.00	\$	—	
Other Funds	291,763,081.00		291,763,081.00		333,644,018.00	315,150,726.76		15,861,047.61	
Total Teaching	429,886,598.00		429,886,598.00		471,444,373.00	452,951,081.76		15,861,047.61	
Total Operating Activity	\$ 430,644,760.00	\$	430,644,760.00	\$	472,202,535.00	\$ 453,709,243.76	\$	15,861,047.61	

#### KENNESAW STATE UNIVERSITY STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE BUDGET FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Funds	Available Compared to Bu	udget	Expenditures Con	Excess (Deficiency)	
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	of Funds Available Over/(Under) Expenditures
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	758,162.00	—	758,162.00	—	—
Teaching						
State Appropriation						
State General Funds	—	137,800,355.00	—	137,800,355.00	—	—
Other Funds		331,011,774.37	(2,632,243.63)	311,238,817.35	22,405,200.65	19,772,957.02
Total Teaching		468,812,129.37	(2,632,243.63)	449,039,172.35	22,405,200.65	19,772,957.02
Total Operating Activity	_	469,570,291.37	(2,632,243.63)	449,797,334.35	22,405,200.65	19,772,957.02
iotal operating floating			(2,002,240.00)			

#### KENNESAW STATE UNIVERSITY STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE BUDGET FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds					
Teaching					
State Appropriation					
State General Funds	\$ 60,428.10	\$ —	\$ (60,428.10)	\$ 22,896.08	\$ —
Other Funds	15,883,691.00	(15,861,047.61)	(22,643.39)	(177,019.74)	451,780.97
Total Teaching	15,944,119.10	(15,861,047.61)	(83,071.49)	(154,123.66)	451,780.97
Total Operating Activity	15,944,119.10	(15,861,047.61)	(83,071.49)	(154,123.66)	451,780.97
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	3,887,074.02				(451,780.97)
Budget Unit Totals	\$ 19,831,193.12	\$ (15,861,047.61)	\$ (83,071.49)	\$ (154,123.66)	\$ —
	φ 10,001,100.12	φ (10,001,0 <del>1</del> 7.01)	¢ (33,071.43)	¢ (104,120.00)	¥ —

#### KENNESAW STATE UNIVERSITY STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE BUDGET FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Early Return of	Excess (Deficiency) of Funds Available	Ending Fund	Analysis of Ending Fund Balance				
	Fiscal Year 2018 Surplus	Over/Under) Expenditures	Balance/(Deficit) June 30	Reserved	Surplus/(Deficit)	Total		
Public Service / Special Funding Initiatives								
State Appropriation								
State General Funds								
Teaching								
State Appropriation								
State General Funds	_	_	22,896.08	_	22,896.08	22,896.08		
Other Funds		19,772,957.02	20,047,718.25	20,047,718.25		20,047,718.25		
Total Teaching		19,772,957.02	20,070,614.33	20,047,718.25	22,896.08	20,070,614.33		
Total Operating Activity		19,772,957.02	20,070,614.33	20,047,718.25	22,896.08	20,070,614.33		
Prior Year Reserves								
Not Available for Expenditure								
Uncollectible Accounts Receivable			3,435,293.05	3,435,293.05		3,435,293.05		
Budget Unit Totals		19,772,957.02	23,505,907.38	23,483,011.30	22,896.08	23,505,907.38		
		Departmental Sales	and Services	8,259,731.80	_	8,259,731.80		
		Indirect Cost Recove	ry	2,981,827.64	_	2,981,827.64		
		Technology Fees		3,506,375.69	_	3,506,375.69		
		Restricted/Sponsore	d Funds	274,189.47	_	274,189.47		
		Tuition Carry-Forwar	d	5,025,593.65	—	5,025,593.65		
		Uncollectible Account	ts Receivable	3,435,293.05	_	3,435,293.05		
		Surplus	-	_	22,896.08	22,896.08		
				23,483,011.30	22,896.08	23,505,907.38		

# **KENNESAW CAMPUS**

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