



## DEPARTMENT OF AUDITS AND ACCOUNTS

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STATE AUDITOR  
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December 8, 2011

Honorable Nathan Deal, Governor  
Members of the General Assembly of Georgia  
Members of the State Board of Regents of the  
University System of Georgia  
and  
Honorable Martha Nesbitt, President  
Gainesville State College

Ladies and Gentlemen:

As part of our audits of the basic financial statements of the University System of Georgia presented in the *Annual Financial Report* for the University System of Georgia, the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2011, we have performed certain audit procedures at Gainesville State College. Accordingly, the financial statements and compliance activities of Gainesville State College were examined to the extent considered necessary in order to express an opinion as to the fair presentation of the financial statements contained in the foregoing documents and to issue reports on compliance and internal control as required by the Single Audit Act Amendments of 1996.

This Management Report contains information pertinent to the financial and compliance activities of Gainesville State College as of and for the year ended June 30, 2011. Information contained in this report is a by-product of our audits of the basic financial statements of the University System of Georgia and the basic financial statements of the State of Georgia and is the representation of management. Accordingly, we do not express an opinion or any other form of assurance on it. The particular information provided which includes a section on findings and other items reported in accordance with Commission on Colleges regulation 2.11.1 is enumerated in the Table of Contents.

This report is intended solely for the information and use of the management of Gainesville State College, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools - Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Russell W. Hinton, CPA, CGFM  
State Auditor

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GAINESVILLE STATE COLLEGE  
STATEMENT OF NET ASSETS - (GAAP BASIS)  
JUNE 30, 2011

EXHIBIT "A"

ASSETS

Current Assets	\$	9,321,799
Cash and Cash Equivalents		1,975,915
Short-Term Investments		
Accounts Receivable, Net (Note 3)		229,418
Receivables - Federal Financial Assistance		2,660,467
Receivables - Other		600,954
Inventories		380,789
Prepaid Items		<u>                    </u>
Total Current Assets	\$	15,169,342
 Noncurrent Assets		 <u>41,744,896</u>
Capital Assets, Net (Note 4)		
Total Assets	\$	<u>56,914,238</u>

LIABILITIES

Current Liabilities	\$	558,054
Accounts Payable		202,647
Salaries Payable		2,444,885
Deferred Revenue (Note 5)		295,014
Deposits Held for Other Organizations		373,457
Lease Purchase Obligations		628,221
Compensated Absences		<u>                    </u>
Total Current Liabilities	\$	<u>4,502,278</u>
 Noncurrent Liabilities		 \$ 12,176,847
Lease Purchase Obligations		470,914
Compensated Absences		<u>                    </u>
Total Noncurrent Liabilities	\$	<u>12,647,761</u>
Total Liabilities	\$	<u>17,150,039</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	29,194,592
Restricted for:		
Expendable		-1,194
Unrestricted		<u>10,570,801</u>
Total Net Assets	\$	<u>39,764,199</u>

GAINESVILLE STATE COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Student Tuition and Fees	\$ 23,365,369
Less: Scholarship Allowances	-5,249,076
Grants and Contracts	
Federal	16
Sales and Services	120,000
Rents and Royalties	697,196
Auxiliary Enterprises	
Bookstore	2,573,133
Food Services	8,916
Parking/Transportation	1,017,596
Other Organizations	41,578
Other Operating Revenues	<u>224,782</u>
 Total Operating Revenues	 \$ <u>22,799,510</u>

OPERATING EXPENSES

Salaries	
Faculty	\$ 14,102,842
Staff	11,188,789
Employee Benefits	7,085,134
Other Personal Services	142,638
Travel	290,959
Scholarships and Fellowships	9,859,949
Utilities	1,038,998
Supplies and Other Services	12,369,137
Depreciation	<u>2,350,806</u>
 Total Operating Expenses	 \$ <u>58,429,252</u>
 Operating Income (Loss)	 \$ <u>-35,629,742</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$ 19,333,426
Grants and Contracts	
Federal	14,811,250
Federal Stimulus	190,847
State	62,004
Other	31,097
Gifts	82,116
Investment Income	109,649
Interest Expense	<u>-917,093</u>

Net Nonoperating Revenues \$ 33,703,296

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses \$ -1,926,446

Capital Grants and Gifts	
State	<u>267,629</u>

Increase (Decrease) in Net Assets \$ -1,658,817

Net Assets - Beginning of Year 41,423,016

Net Assets - End of Year \$ 39,764,199

GAINESVILLE STATE COLLEGE  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2011

EXHIBIT "C"

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 18,276,362
Grants and Contracts	-544,871
Sales and Services	697,196
Payments to Suppliers	-22,020,515
Payments to Employees	-24,544,972
Payments for Scholarships and Fellowships	-9,859,949
Auxiliary Enterprise Charges:	
Bookstore	2,522,142
Food Services	8,916
Parking/Transportation	1,022,440
Other Organizations	41,578
Other Receipts (Payments)	<u>490,913</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -33,910,760</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	\$ 19,333,426
Agency Funds Transactions	183,177
Gifts and Grants Received for Other than Capital Purposes	<u>15,177,315</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>\$ 34,693,918</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants and Gifts Received	\$ 267,629
Purchases of Capital Assets	-689,531
Principal Paid on Capital Debt and Leases	-357,609
Interest Paid on Capital Debt and Leases	<u>-620,275</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -1,399,786</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	\$ 109,649
Purchase of Investments	<u>-2,422</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 107,227</u>
Net Increase (Decrease) in Cash	\$ -509,401
Cash and Cash Equivalents - Beginning of Year	<u>9,831,200</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,321,799</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ -35,629,742
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	2,350,806
Change in Assets and Liabilities:	
Accounts Receivable, Net	-268,947
Inventories	-22,096
Prepaid Items	-40,509
Accounts Payable	-548,161
Deferred Revenue	158,784
Other Liabilities	-18,151
Compensated Absences	<u>107,256</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -33,910,760</u>
<b>NONCASH ACTIVITY</b>	
Change in Accrued Interest Payable Affecting Interest Paid	<u>\$ 296,818</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY**

Gainesville State College is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Gainesville State College as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Gainesville State College does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Gainesville State College is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

**NET ASSETS**

The College's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the College'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 invested in capital assets, net of related debt.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent 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 Gainesville State College and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus) of \$38,732.79. Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTE 2: DEPOSITS

**DEPOSITS**

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

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2011

EXHIBIT "D"

NOTE 2: DEPOSITS

**DEPOSITS**

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

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2011, the carrying value of deposits was \$11,269,390 and the bank balance was \$11,794,947. Of the College's deposits, \$10,944,947 were uninsured. Of these uninsured deposits, \$539,130 were collateralized with securities held by the financial institution's trust department or agent in the College's name, \$10,405,817 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the College's name.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011.

Student Tuition and Fees	\$	563,482
Auxiliary Enterprises and Other Operating Activities		80,344
Federal, State and Private Funds		229,418
Georgia State Financing and Investment Commission		1,887,262
Other		<u>250,744</u>
	\$	3,011,250
Less Allowance for Doubtful Accounts		<u>121,365</u>
Net Accounts Receivable	\$	<u>2,889,885</u>

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2011

EXHIBIT "D"

**NOTE 4: CAPITAL ASSETS**

Following are the changes in the College's capital assets for the year ended June 30, 2011:

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2011</u>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,622,731	\$ 0	\$ 0	\$ 1,622,731
Construction Work-In-Progress	<u>596,508</u>			<u>596,508</u>
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,219,239</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,219,239</b>
<b>Capital Assets, Being Depreciated:</b>				
Infrastructure	\$ 1,049,233			\$ 1,049,233
Building and Building Improvements	40,014,149			40,014,149
Facilities and Other Improvements	2,450,262			2,450,262
Equipment	2,627,511	\$ 577,722	\$ 17,765	3,187,468
Capital Leases	13,027,696			13,027,696
Library Collections	<u>2,180,429</u>	<u>111,809</u>	<u>88,031</u>	<u>2,204,207</u>
<b>Total Assets Being Depreciated</b>	<b>\$ 61,349,280</b>	<b>\$ 689,531</b>	<b>\$ 105,796</b>	<b>\$ 61,933,015</b>
<b>Less: Accumulated Depreciation:</b>				
Infrastructure	\$ 102,746	\$ 209,118		\$ 311,864
Building and Building Improvements	14,424,560	1,283,415		15,707,975
Facilities and Other Improvements	1,230,104	87,595	\$ 11,132	1,306,567
Equipment	1,922,522	285,770	6,634	2,201,658
Capital Leases	598,444	403,522		1,001,966
Library Collections	<u>1,883,973</u>	<u>81,386</u>	<u>88,031</u>	<u>1,877,328</u>
<b>Total Accumulated Depreciation</b>	<b>\$ 20,162,349</b>	<b>\$ 2,350,806</b>	<b>\$ 105,797</b>	<b>\$ 22,407,358</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 41,186,931</b>	<b>\$ -1,661,275</b>	<b>\$ -1</b>	<b>\$ 39,525,657</b>
<b>Capital Assets, Net</b>	<b>\$ 43,406,170</b>	<b>\$ -1,661,275</b>	<b>\$ -1</b>	<b>\$ 41,744,896</b>

**NOTE 5: DEFERRED REVENUE**

Deferred revenue consisted of the following at June 30, 2011.

Prepaid Tuition and Fees	\$	2,325,849
Other Deferred Revenue		<u>119,036</u>
<b>Total Deferred Revenue</b>	<b>\$</b>	<b><u>2,444,885</u></b>

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2011

EXHIBIT "D"

**NOTE 6: LONG-TERM LIABILITIES**

The College's Long-Term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Current Portion
<b>Leases</b>					
Lease Obligations	\$ 12,611,095	\$ 296,818	\$ 357,609	\$ 12,550,304	\$ 373,457
<b>Other Liabilities</b>					
Compensated Absences	991,880	781,630	674,375	1,099,135	628,221
<b>Total Long-Term Obligations</b>	<b>\$ 13,602,975</b>	<b>\$ 1,078,448</b>	<b>\$ 1,031,984</b>	<b>\$ 13,649,439</b>	<b>\$ 1,001,678</b>

**NOTE 7: NET ASSETS**

Changes in Net Asset activity for the year ended June 30, 2011 are as follows:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
<b>Invested in Capital Assets</b>				
Net of Related Debt	\$ 30,795,075	\$ -1,958,093	\$ -357,610	\$ 29,194,592
<b>Restricted Net Assets</b>	0	15,022,641	15,023,835	-1,194
<b>Unrestricted Net Assets</b>	10,627,941	41,480,165	41,537,305	10,570,801
<b>Total Net Assets</b>	<b>\$ 41,423,016</b>	<b>\$ 54,544,713</b>	<b>\$ 56,203,530</b>	<b>\$ 39,764,199</b>

**NOTE 8: LEASE OBLIGATIONS**

Gainesville State College is obligated under various capital leases and installment purchase agreements for the acquisition of real property and equipment.

**CAPITAL LEASES**

Capital leases are generally payable in installments ranging from monthly to semi-annually and have terms expiring in 2012 and 2040. Expenses for fiscal year 2011 were \$977,884 of which \$620,275 represented interest. Total principal paid on capital leases was \$357,609 for the fiscal year ended June 30, 2011. Interest rates are 3.995 percent and 5.952 percent.



**NOTE 8: LEASE OBLIGATIONS**

**FUTURE COMMITMENTS**

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2011, were as follows:

	<u>Capital Leases</u>
Year Ending June 30:	
2012	\$ 1,006,534
2013	1,006,534
2014	1,010,224
2015	1,012,869
2016	1,012,869
2017 - 2021	5,064,345
2022 - 2026	5,129,597
2027 - 2031	3,158,387
2032 - 2036	2,343,744
2037 - 2040	<u>1,936,356</u>
Total Minimum Lease Payments	\$ 22,681,459
Less: Interest	8,850,057
Less: Executory Costs (if paid)	<u>1,281,098</u>
Principal Outstanding	<u>\$ 12,550,304</u>

**NOTE 9: RETIREMENT PLANS**

Gainesville State College participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. 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 system offices. The significant retirement plans that Gainesville State College 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.

**Employees' Retirement System of Georgia**

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing

NOTE 9: RETIREMENT PLANS

**Employees' Retirement System of Georgia**

retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the 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 the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, 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 a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may 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.

Member contribution rates are set by law. 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, Gainesville State College pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Gainesville State College 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. Gainesville State College is required to

NOTE 9: RETIREMENT PLANS

**Employees' Retirement System of Georgia**

contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Gainesville State College contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan*	10.41%
New Plan	10.41%
GSEPS	6.54%

\* 5.66% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions; the member forfeits all rights to retirement benefits.

**Teachers Retirement System of Georgia**

The Teachers Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living

**NOTE 9: RETIREMENT PLANS**

**Teachers Retirement System of Georgia**

adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011 were 5.53% of annual salary. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2009 actuarial valuation.

The following table summarizes the Gainesville State College contributions by defined benefit plan for the years ending June 30, 2011, June 30, 2010, and June 30, 2009 (dollars in thousands):

Fiscal Year	ERS		TRS	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2011	\$ 1,553	100%	\$ 1,501,855	100%
2010		100%	\$ 1,328,803	100%
2009		100%	\$ 1,195,426	100%

**Regents Retirement Plan**

**Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or a principal administrator, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, 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**

Gainesville State College makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2011, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

**NOTE 9: RETIREMENT PLANS**

**Regents Retirement Plan**

**Funding Policy**

Gainesville State College and the covered employees made the required contributions of \$570,751 (9.24%) and \$308,848 (5%), respectively.

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

**Georgia Defined Contribution Plan**

**Plan Description**

Gainesville State College participates in the Georgia Defined Contribution Plan (GDGP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

**Benefits**

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

**Contributions**

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2011 amounted to \$133,749 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

**NOTE 10: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define

NOTE 10: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The College pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2009 and 2011 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2011, there were 116 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2011, Gainesville State College recognized as incurred \$490,085 of expenditures, which was net of \$193,884 of participant contributions.

NOTE 11: AFFILIATED ORGANIZATIONS

The Gainesville State College Foundation, Inc., and the Gainesville State College Real Estate Foundation are legally separate, tax exempt organizations whose activities primarily support Gainesville State College. These affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements for the affiliated organizations may be obtained from Gainesville State College.

GAINESVILLE STATE COLLEGE  
 BALANCE SHEET (STATUTORY BASIS)  
 BUDGET FUND  
 JUNE 30, 2011

SCHEDULE "1"

<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,261,922.60
Investments	1,576,914.67
Accounts Receivable	
Federal Financial Assistance	329,135.44
Other	5,421,971.75
Prepaid Expenditures	<u>380,788.48</u>
Total Assets	<u>\$ 9,970,732.94</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	\$ 191,482.60
Accrued Payroll	6,552,318.31
Encumbrance Payable	-322,045.30
Accounts Payable	2,377,318.73
Deferred Revenue	1,618.10
Funds Held for Others	<u>1,618.10</u>
Total Liabilities	<u>\$ 8,800,692.44</u>
Fund Balances	
Reserved	\$ 367,469.38
Department Sales and Services	50,793.02
Indirect Cost Recoveries	68,048.24
Technology Fees	102,794.24
Restricted/Sponsored Funds	420,837.60
Tuition Carry-Over	121,365.23
Uncollectible Accounts Receivable	<u>38,732.79</u>
Unreserved	
Surplus	<u>38,732.79</u>
Total Fund Balances	<u>\$ 1,170,040.50</u>
Total Liabilities and Fund Balances	<u>\$ 9,970,732.94</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

GAINESVILLE STATE COLLEGE  
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)  
BUDGET FUND  
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
State Appropriation			
State General Funds	\$ 19,347,681.00	\$ 19,347,681.00	\$ 0.00
Other Funds	40,136,367.00	39,074,477.02	-1,061,889.98
Total Revenues	\$ 59,484,048.00	\$ 58,422,158.02	\$ -1,061,889.98
<b>ADJUSTMENTS AND PROGRAM TRANSFERS</b>			
	0.00	0.00	0.00
<b>CARRY-OVER FROM PRIOR YEARS</b>			
Transfers from Reserved Fund Balance	0.00	497,466.98	497,466.98
Total Funds Available	\$ 59,484,048.00	\$ 58,919,625.00	\$ -564,423.00
<b>EXPENDITURES</b>			
Teaching	\$ 59,484,048.00	\$ 57,816,925.54	\$ 1,667,122.46
Excess of Funds Available over Expenditures	\$ 0.00	\$ 1,102,699.46	\$ 1,102,699.46
<b>FUND BALANCE JULY 1</b>			
Reserved		576,110.76	
Unreserved		2,952.38	
<b>ADJUSTMENTS</b>			
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2010		-2,952.38	
Early Return of Surplus in Current Fiscal Year		-11,302.74	
Prior Year Reserved Fund Balance Included in Funds Available		-497,466.98	
<b>FUND BALANCE JUNE 30</b>		\$ 1,170,040.50	
<b>SUMMARY OF FUND BALANCE</b>			
Reserved			
Department Sales and Services	\$	367,469.38	
Indirect Cost Recoveries		50,793.02	
Technology Fees		68,048.24	
Restricted/Sponsored Funds		102,794.24	
Tuition Carry-Over		420,837.60	
Uncollectible Accounts Receivable		121,365.23	
Total Reserved	\$	1,131,307.71	
Unreserved			
Surplus		38,732.79	
Total Fund Balance	\$	1,170,040.50	

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.



GAINESVILLE STATE COLLEGE  
 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE  
 (STATUTORY BASIS) BUDGET FUND  
 YEAR ENDED JUNE 30, 2011

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	\$ 20,576,315.00	\$ 19,347,681.00	\$ 19,347,681.00	\$ 19,347,681.00
Federal Funds				
American Recovery and Reinvestment Act				
Federal Stabilization Funds	266,535.00	0.00	0.00	0.00
Other Funds	<u>41,167,438.00</u>	<u>39,650,539.00</u>	<u>40,136,367.00</u>	<u>39,074,477.02</u>
 Total Teaching	 <u>\$ 62,010,288.00</u>	 <u>\$ 58,998,220.00</u>	 <u>\$ 59,484,048.00</u>	 <u>\$ 58,422,158.02</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
\$ 0.00	\$ 11,210.18	\$ 19,358,891.18	\$ 11,210.18	\$ 19,347,588.44	\$ 92.56	\$ 11,302.74
0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>497,466.98</u>	<u>-11,210.18</u>	<u>39,560,733.82</u>	<u>-575,633.18</u>	<u>38,469,337.10</u>	<u>1,667,029.90</u>	<u>1,091,396.72</u>
<u>\$ 497,466.98</u>	<u>\$ 0.00</u>	<u>\$ 58,919,625.00</u>	<u>\$ -564,423.00</u>	<u>\$ 57,816,925.54</u>	<u>\$ 1,667,122.46</u>	<u>\$ 1,102,699.46</u>

GAINESVILLE STATE COLLEGE  
 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
 (STATUTORY BASIS) BUDGET FUND  
 YEAR ENDED JUNE 30, 2011

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2010 Surplus	Prior Period Adjustments
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ -53,481.08	\$ 0.00	\$ 53,481.08	0.00
Federal Funds				
American Recovery and Reinvestment Act				
Federal Stabilization Funds	0.00	0.00	0.00	0.00
Other Funds	<u>553,900.44</u>	<u>-497,466.98</u>	<u>-56,433.46</u>	<u>0.00</u>
Total Teaching	\$ 500,419.36	\$ -497,466.98	\$ -2,952.38	0.00
<b>Prior Year Reserves</b>				
Not Available for Expenditure				
Uncollectible Accounts Receivables	<u>78,643.78</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Budget Unit Totals</b>	<u>\$ 579,063.14</u>	<u>\$ -497,466.98</u>	<u>\$ -2,952.38</u>	<u>0.00</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Other Adjustments	Early Return Fiscal Year 2011 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ 0.00	\$ -11,302.74	\$ 11,302.74	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>-42,721.45</u>	<u>0.00</u>	<u>1,091,396.72</u>	<u>1,048,675.27</u>	<u>1,009,942.48</u>	<u>38,732.79</u>	<u>1,048,675.27</u>
\$ -42,721.45	\$ -11,302.74	\$ 1,102,699.46	\$ 1,048,675.27	\$ 1,009,942.48	\$ 38,732.79	\$ 1,048,675.27
<u>42,721.45</u>	<u>0.00</u>	<u>0.00</u>	<u>121,365.23</u>	<u>121,365.23</u>	<u>0.00</u>	<u>121,365.23</u>
\$ 0.00	\$ -11,302.74	\$ 1,102,699.46	\$ 1,170,040.50	\$ 1,131,307.71	\$ 38,732.79	\$ 1,170,040.50

Summary of Ending Fund Balance

Reserved

Department Sales and Services	\$ 367,469.38	\$ 367,469.38
Indirect Cost Recoveries	50,793.02	50,793.02
Technology Fees	68,048.24	68,048.24
Restricted/Sponsored Funds	102,794.24	102,794.24
Tuition Carry-Over	420,837.60	420,837.60
Uncollectible Accounts Receivable	121,365.23	121,365.23

Unreserved

Surplus	\$ 38,732.79	\$ 38,732.79
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Total Ending Fund Balance - June 30 \$ 1,131,307.71 \$ 38,732.79 \$ 1,170,040.50

GAINESVILLE STATE COLLEGE  
 RECONCILIATION OF SALARIES AND TRAVEL  
 YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 25,017,795.80	\$ 290,959.27
Accruals		
June 30, 2011	202,646.61	
June 30, 2010	-39,189.26	
Prepaid		
June 30, 2011	-380,788.48	
June 30, 2010	340,280.90	
Compensated Absences		
June 30, 2011	1,021,026.64	
June 30, 2010	-921,932.70	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Georgia State University		
Vines, Anthony Clark	12,000.00	
University of Georgia		
Durham, Katie	11,586.70	
Hagood, Samantha	5,167.20	
Hight, Katie	11,586.70	
Jimenez, Elizabeth	11,586.70	
Unidentified Variance/Rounding	-135.81	-0.27
	\$ 25,291,631.00	\$ 290,959.00

GAINESVILLE STATE COLLEGE  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

During fiscal year 2010 the Georgia State Financing and Investment Commission (GSFIC) project J-145 was changed from being a campus managed project to a GSFIC managed project. Gainesville State College was instructed by the Board of Regents central office to remove all activity associated with this project. This decision was made after the fiscal year 2010 general ledger was closed so post-closing entries were required on the fiscal year 2010 Annual Financial Report (AFR). The College actually removed this activity on the fiscal year 2011 general ledgers and was reported as negative Capital Gifts on the Statement of Revenues, Expenses and Changes in Net Assets within the fiscal year 2011 AFR presented for review. The 2011 AFR should have been manually adjusted because the activity had previously been removed on the 2010 AFR. Adjustments to the 2011 AFR were proposed and accepted to correct the presentation.