



# **GAINESVILLE STATE COLLEGE GAINESVILLE, GEORGIA**

MANAGEMENT REPORT  
FOR FISCAL YEAR ENDED  
JUNE 30, 2012

A Member Institution of the  
University System of Georgia



**Georgia Department of  
Audits and Accounts**

**Greg S. Griffin  
State Auditor**

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

October 11, 2012

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 Randy Pierce, Interim 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, 2012, 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, 2012. 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,

Greg S. Griffin  
State Auditor

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SELECTED FINANCIAL INFORMATION

GAINESVILLE STATE COLLEGE  
STATEMENT OF NET ASSETS - (GAAP BASIS)  
JUNE 30, 2012

EXHIBIT "A"

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 12,014,273
Short-term Investments	1,971,785
Accounts Receivable, Net (Note 3)	
Federal Financial Assistance	34,709
Other	523,644
Inventories	602,109
Prepaid Items	<u>50,307</u>
Total Current Assets	\$ 15,196,827
Noncurrent Assets	
Capital Assets, Net (Note 4)	<u>74,340,271</u>
Total Assets	\$ <u>89,537,098</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 388,554
Deferred Revenue (Note 5)	984,955
Deposits Held for Other Organizations	114,288
Lease Purchase Obligations	390,027
Compensated Absences	<u>693,092</u>
Total Current Liabilities	\$ <u>2,570,916</u>
Noncurrent Liabilities	
Lease Purchase Obligations	\$ 11,786,821
Compensated Absences	<u>561,308</u>
Total Noncurrent Liabilities	\$ <u>12,348,129</u>
Total Liabilities	\$ <u>14,919,045</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 62,163,423
Restricted for	
Expendable	102,794
Unrestricted	<u>12,351,836</u>
Total Net Assets	\$ <u><u>74,618,053</u></u>

GAINESVILLE STATE COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2012

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees	\$	26,889,246
Less: Scholarship Allowances		-5,469,537
Sales and Services of Educational Departments		690,096
Auxiliary Enterprises		
Bookstore		2,344,152
Food Services		5,563
Parking/Transportation		1,338,865
Other Organizations		45,702
Other Operating Revenues		<u>392,124</u>
 Total Operating Revenues	 \$	 <u>26,236,211</u>

OPERATING EXPENSES

Salaries		
Faculty	\$	14,725,233
Staff		11,967,196
Employee Benefits		7,392,181
Other Personal Services		188,751
Travel		297,836
Scholarships and Fellowships		9,707,862
Utilities		1,201,712
Supplies and Other Services		12,124,217
Depreciation		<u>3,284,250</u>
 Total Operating Expenses	 \$	 <u>60,889,238</u>
 Operating Income (Loss)	 \$	 <u>-34,653,027</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$	18,719,950
Grants and Contracts		
Federal		15,181,013
State		34,524
Other		48,681
Gifts		469,757
Interest and Other Investment Income		33,542
Interest Expense		-604,428
Other Nonoperating Revenues/Expenses		<u>-1,303</u>
 Net Nonoperating Revenues	 \$	 <u>33,881,736</u>

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$	<u>-771,291</u>
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Capital Grants and Gifts		
State	\$	35,561,495
Other		<u>63,650</u>

Total Other Revenues, Expenses, Gains or Losses	\$	<u>35,625,145</u>
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Increase in Net Assets	\$	34,853,854
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Net Assets - Beginning of Year		<u>39,764,199</u>
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Net Assets - End of Year	\$	<u><u>74,618,053</u></u>
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GAINESVILLE STATE COLLEGE  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2012

EXHIBIT "C"

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 20,190,905
Sales and Services of Educational Departments	690,096
Payments to Suppliers	-21,210,642
Payments to Employees	-26,741,264
Payments for Scholarships and Fellowships	-9,707,862
Auxiliary Enterprise Charges:	
Bookstore	2,614,579
Food Services	5,563
Parking/Transportation	1,333,163
Other Organizations	45,702
Other Receipts (Payments)	<u>409,502</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -32,370,258</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	\$ 18,719,950
Agency Funds Transactions	-180,726
Gifts and Grants Received for Other than Capital Purposes	<u>15,733,975</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>\$ 34,273,199</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Gifts and Grants Received	\$ 1,985,527
Purchases of Capital Assets	-255,781
Principal Paid on Capital Debt and Leases	-373,456
Interest Paid on Capital Debt and Leases	<u>-604,428</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 751,862</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sale of Maturities of Investments	\$ 4,129
Interest on Investments	<u>33,542</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 37,671</u>
Net Increase (Decrease) in Cash	\$ 2,692,474
Cash and Cash Equivalents - Beginning of Year	<u>9,321,799</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 12,014,273</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ -34,653,027
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	3,284,250
Change in Assets and Liabilities:	
Accounts Receivable	346,004
Inventories	-1,155
Prepaid Items	330,481
Accounts Payable	-367,277
Deferred Revenue	-1,459,929
Other Liabilities	-4,870
Compensated Absences	<u>155,265</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -32,370,258</u>
<b>NONCASH ACTIVITY</b>	
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	<u>\$ 35,625,145</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.

On January 10, 2012, based on the Chancellor's recommendation, the Board of Regents voted to consolidate certain institutions of the University System of Georgia to enhance and improve educational offerings and student success. All final determinations regarding consolidations will be made by the Board, in consultation with the Chancellor. On January 1, 2013, Gainesville State College will merge with North Georgia College and State University to form the University of North Georgia.

**FINANCIAL STATEMENT PREPARATION**

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 College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

**BASIC OF ACCOUNTING**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, except as noted in the preceding paragraph. Under the accrual basis, revenues, are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-College transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

**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 \$944.36. 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.

#### **CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE**

During fiscal year 2012, Gainesville State College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. Beginning net assets were not restated due to lack of materiality and time and effort considerations. Therefore, the effects of the change are prospectively applied reflecting a net increase of revenues over expenses of \$1,083,532 in fiscal year 2012.

#### **NOTE 2: DEPOSITS AND INVESTMENTS**

##### **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:

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.

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

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, 2012, the carrying value of deposits was \$13,957,090 and the bank balance was \$14,916,733. Of the College's deposits, \$14,066,733 was uninsured. Of these uninsured deposits, \$535,000 were collateralized with securities held by the financial institution's trust department or agent in the College's name, \$13,531,733 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, 2012.

Student Tuition and Fees	\$	334,951
Auxiliary Enterprises and Other Operating Activities		8,364
Federal, State and Private Funds		34,709
Other		<u>316,961</u>
	\$	694,985
Less Allowance for Doubtful Accounts		<u>136,632</u>
Net Accounts Receivable	\$	<u><u>558,353</u></u>

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in the College's capital assets for the year ended June 30, 2012:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2012</u>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,622,731	\$ 0		\$ 1,622,731
Construction Work-In-Progress	596,508		\$ 596,508	0
	<u>2,219,239</u>	<u>0</u>	<u>596,508</u>	<u>1,622,731</u>
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,219,239</b>	<b>\$ 0</b>	<b>\$ 596,508</b>	<b>\$ 1,622,731</b>
<b>Capital Assets, Being Depreciated:</b>				
Infrastructure	\$ 1,049,233			\$ 1,049,233
Building and Building Improvements	40,014,149	\$ 36,221,653		76,235,802
Facilities and Other Improvements	2,450,262			2,450,262
Equipment	3,187,468	156,524	\$ 261,716	3,082,276
Capital Leases	13,027,696			13,027,696
Library Collections	2,204,207	102,898	68,038	2,239,067
	<u>61,933,015</u>	<u>36,481,075</u>	<u>329,754</u>	<u>98,084,336</u>
<b>Total Assets Being Depreciated</b>	<b>\$ 61,933,015</b>	<b>\$ 36,481,075</b>	<b>\$ 329,754</b>	<b>\$ 98,084,336</b>
<b>Less: Accumulated Depreciation:</b>				
Infrastructure	\$ 311,864	\$ -113,814		\$ 198,050
Building and Building Improvements	15,707,975	2,198,195		17,906,170
Facilities and Other Improvements	1,306,567	76,053		1,382,620
Equipment	2,201,658	311,891	\$ 223,147	2,290,402
Capital Leases	1,001,966	725,579	33,627	1,693,918
Library Collections	1,877,328	86,346	68,038	1,895,636
	<u>22,407,358</u>	<u>3,284,250</u>	<u>324,812</u>	<u>25,366,796</u>
<b>Total Accumulated Depreciation</b>	<b>\$ 22,407,358</b>	<b>\$ 3,284,250</b>	<b>\$ 324,812</b>	<b>\$ 25,366,796</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 39,525,657</b>	<b>\$ 33,196,825</b>	<b>\$ 4,942</b>	<b>\$ 72,717,540</b>
<b>Capital Assets, Net</b>	<b>\$ 41,744,896</b>	<b>\$ 33,196,825</b>	<b>\$ 601,450</b>	<b>\$ 74,340,271</b>

NOTE 5: DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2012.

Prepaid Tuition and Fees	\$	855,870
Other Deferred Revenue		<u>129,085</u>
<b>Total Deferred Revenue</b>	<b>\$</b>	<b><u>984,955</u></b>

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

**NOTE 6: LONG-TERM LIABILITIES**

The College's Long-Term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Current Portion
<b>Leases</b>					
Lease Obligations	\$ 12,550,304		\$ 373,456	\$ 12,176,848	\$ 390,027
<b>Other Liabilities</b>					
Compensated Absences	1,099,135	\$ 836,812	681,547	1,254,400	693,092
<b>Total Long-Term Obligations</b>	<b>\$ 13,649,439</b>	<b>\$ 836,812</b>	<b>\$ 1,055,003</b>	<b>\$ 13,431,248</b>	<b>\$ 1,083,119</b>

**NOTE 7: NET ASSETS**

Changes in Net Asset activity for the year ended June 30, 2012 are as follows:

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012
<b>Invested in Capital Assets</b>				
Net of Related Debt	\$ 29,194,592	\$ 35,884,567	\$ 2,915,736	\$ 62,163,423
Restricted Net Assets	-1,194	15,122,983	15,018,995	102,794
Unrestricted Net Assets	10,570,801	45,600,695	43,819,660	12,351,836
<b>Total Net Assets</b>	<b>\$ 39,764,199</b>	<b>\$ 96,608,245</b>	<b>\$ 61,754,391</b>	<b>\$ 74,618,053</b>

**NOTE 8: LEASE OBLIGATIONS**

Gainesville State College is obligated under 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 annually and have terms expiring in various years between 2012 and 2040. Expenses for fiscal year 2012 were \$977,884 of which \$604,428 represented interest. Total principal paid on capital leases was \$373,456 for the fiscal year ended June 30, 2012. Interest rates range from 3.995 percent to 5.952 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2012:

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

Description	Gross Amount (+)	Accumulated Depreciation (-)	Net Assets Held Under Capital Lease at June 30, 2012 (=)	Outstanding Balances per Lease Schedules at June 30, 2012
Infrastructure	\$ 5,367,608	\$ -322,056	\$ 5,045,552	\$ 5,529,056
Buildings	7,660,088	-1,371,862	6,288,226	6,647,792
Total Assets Held Under Capital Lease at June 30, 2012	<u>\$ 13,027,696</u>	<u>\$ -1,693,918</u>	<u>\$ 11,333,778</u>	<u>\$ 12,176,848</u>

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.

Gainesville State College had two capital leases with related entities in the current fiscal year. The outstanding liability at June 30, 2012, on these capital leases is \$12,176,848. The capital leases are for the Athens Center-Oconee County Campus and the Parking Deck structure.

**FUTURE COMMITMENTS**

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) as of June 30, 2012, were as follows:

	Capital Leases
Year Ending June 30:	
2013	\$ 1,006,534
2014	1,010,224
2015	1,012,869
2016	1,012,869
2017	1,012,869
2018 - 2022	5,074,792
2023 - 2027	5,138,134
2028 - 2032	2,594,442
2033 - 2037	2,357,107
2038 - 2040	<u>1,455,085</u>
Total Minimum Lease Payments	\$ 21,674,925
Less: Interest	8,245,630
Less: Executory Costs (if paid)	<u>1,252,447</u>
Principal Outstanding	<u>\$ 12,176,848</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 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). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009, also have the option to irrevocably 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 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 2012 were based on the June 30, 2009 actuarial valuation as follows:

Old Plan*	11.63%
New Plan	11.63%
GSEPS	7.42%

\* 6.88% 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.



GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

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 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, 2012, were 5.53% of annual salary. Employer contributions required for fiscal year 2012 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, 2012, June 30, 2011, and June 30, 2010 (dollars in thousands):

<u>Fiscal Year</u>	<u>ERS</u>		<u>TRS</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 3,163	100%	\$ 1,613,782	100%
2011	\$ 1,553	100%	\$ 1,501,855	100%
2010	\$ 0	100%	\$ 1,328,803	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 2012, 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.

Gainesville State College and the covered employees made the required contributions of \$596,969 (9.24%) and \$323,035 (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 (GDCP) 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. GDCP 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 2012 amounted to \$145,765 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: RISK MANAGEMENT**

The University System of Georgia offers its employees and retirees access to three different self-insured healthcare plan options. Effective January 1, 2012, The Blue Cross Blue Shield of Georgia PPO and HDHP plan names were changed to BCBS Open Access PPO and HAS/HDHP Open Access POS, respectively; both plans use the Blue Cross Blue Shield Open Access POS network. Also effective January 1, 2012, the Consumer Choice Option was eliminated and the Blue Cross Blue Shield of Georgia HMO and the Kaiser Permanente HMO were frozen for new enrollment for active employees only; the Senior Advantage Plan 65+ remained open for new enrollment.

Gainesville State College and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia - University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are

considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser.

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

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

#### NOTE 11: 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 Gainesville State College expects such amounts, if any, to be immaterial to its overall financial positions.

Litigation, claims and assessments filed against Gainesville State College (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

#### NOTE 12: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The 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 2011 and 2012 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, 2012, there were 115 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2012, Gainesville State College recognized as incurred \$519,386 of expenditures, which was net of \$231,244 of participant contributions.

NOTE 13: 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.

NOTE 14: SUPPLEMENTARY INFORMATION

The supplementary information presented on Schedules 1, 2, 3 and 4 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. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles.

GAINESVILLE STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2012

EXHIBIT "D"

Presented below is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Assets of business-type activities, as reported on Exhibit A.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1") \$ 1,351,749.77

Amounts reported for Business-Type Activities in the Statement of Net Assets are different because:

Capital Assets used in Business-Type Activities are not reported in the Budget Fund. 74,340,271.00

Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Assets. -136,632.12

Agency Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 748,002.17	
Liabilities	-680,146.58	
Total Net Effect of Agency Fund Activity		67,855.59

Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 7,621,725.98	
Liabilities	-89,132.61	
Total Net Effect of Auxiliary Enterprises Fund Activity		7,532,593.37

Student Activities Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 485,032.87	
Liabilities	0.00	
Total Net Effect of Student Activity Fund Activity		485,032.87

The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Assets.

Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting.	\$ 4,192,341.98	
Reimbursement from grantors reported as revenues in the Budget Fund that are for expenditures based on encumbrances are deferred for GAAP reporting.	216,088.79	
Total Net Effect of Encumbrance Activity		4,408,430.77

Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund.

Capital Leases Payable	\$ -12,176,848.00	
Compensated Absences Payable	-1,254,400.00	
Total Liabilities		-13,431,248.00

Rounding -0.25

Net Assets of Business-Type Activities (Exhibit "A") \$ 74,618,053.00

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SUPPLEMENTARY INFORMATION

GAINESVILLE STATE COLLEGE  
BALANCE SHEET (STATUTORY BASIS)  
BUDGET FUND  
JUNE 30, 2012

SCHEDULE "1"

<u>ASSETS</u>		
Cash and Cash Equivalents	\$	4,180,842.82
Investments		1,572,785.27
Accounts Receivable		
Federal Financial Assistance		34,708.70
Other		691,514.57
Prepaid Expenditures		<u>50,307.48</u>
Total Assets	\$	<u><u>6,530,158.84</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Encumbrances Payable	\$	4,192,341.98
Accounts Payable		21,415.33
Deferred Revenue		961,568.66
Funds Held for Others		<u>3,083.10</u>
Total Liabilities	\$	<u>5,178,409.07</u>
 Fund Balances		
Reserved		
Department Sales and Services	\$	339,337.41
Indirect Cost Recoveries		109,787.10
Technology Fees		109,833.47
Restricted/Sponsored Funds		102,794.24
Uncollectible Accounts Receivable		136,632.12
Tuition Carry-Over		552,371.07
Unreserved		
Surplus		<u>994.36</u>
Total Fund Balances	\$	<u>1,351,749.77</u>
Total Liabilities and Fund Balances	\$	<u><u>6,530,158.84</u></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, 2012

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 18,758,683.00	\$ 18,758,683.00	\$ 0.00
Other Funds	43,759,729.00	42,247,554.19	-1,512,174.81
Total Revenues	\$ 62,518,412.00	\$ 61,006,237.19	\$ -1,512,174.81
<u>ADJUSTMENTS AND PROGRAM TRANSFERS</u>			
	0.00	0.00	0.00
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	1,009,942.48	1,009,942.48
Total Funds Available	\$ 62,518,412.00	\$ 62,016,179.67	\$ -502,232.33
<u>EXPENDITURES</u>			
Teaching	\$ 62,518,412.00	\$ 60,674,177.92	\$ 1,844,234.08
Excess of Funds Available over Expenditures	\$ 0.00	\$ 1,342,001.75	\$ 1,342,001.75
<u>FUND BALANCE JULY 1</u>			
Reserved		1,131,307.71	
Unreserved		38,732.79	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		-9,226.22	
Prior Year Receivables/Revenues		-102,390.99	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2011		-38,732.79	
Prior Year Reserved Fund Balance Included in Funds Available		-1,009,942.48	
<u>FUND BALANCE JUNE 30</u>		\$ 1,351,749.77	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	339,337.41	
Indirect Cost Recoveries		109,787.10	
Technology Fees		109,833.47	
Restricted/Sponsored Funds		102,794.24	
Uncollectible Accounts Receivable		136,632.12	
Tuition Carry-Over		552,371.07	
Total Reserved	\$	1,350,755.41	
Unreserved			
Surplus		994.36	
Total Fund Balance	\$	1,351,749.77	

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, 2012

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
Teaching				
State Appropriation				
State General Funds	\$ 19,141,513.00	\$ 19,141,513.00	\$ 18,758,683.00	\$ 18,758,683.00
Other Funds	<u>37,791,134.00</u>	<u>37,791,134.00</u>	<u>43,759,729.00</u>	<u>42,247,554.19</u>
Total Teaching	<u>\$ 56,932,647.00</u>	<u>\$ 56,932,647.00</u>	<u>\$ 62,518,412.00</u>	<u>\$ 61,006,237.19</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	\$ 94,921.94	\$ 18,853,604.94	\$ 94,921.94	\$ 18,850,235.74	\$ -91,552.74	\$ 3,369.20
<u>1,009,942.48</u>	<u>-94,921.94</u>	<u>43,162,574.73</u>	<u>-597,154.27</u>	<u>41,823,942.18</u>	<u>1,935,786.82</u>	<u>1,338,632.55</u>
<u>\$ 1,009,942.48</u>	<u>\$ 0.00</u>	<u>\$ 62,016,179.67</u>	<u>\$ -502,232.33</u>	<u>\$ 60,674,177.92</u>	<u>\$ 1,844,234.08</u>	<u>\$ 1,342,001.75</u>

GAINESVILLE STATE COLLEGE  
 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
 (STATUTORY BASIS) BUDGET FUND  
 YEAR ENDED JUNE 30, 2012

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2011 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 0.00	\$ -3,369.20
Other Funds	<u>1,048,675.27</u>	<u>-1,009,942.48</u>	<u>-38,732.79</u>	<u>-108,248.01</u>
Total Teaching	\$ 1,048,675.27	\$ -1,009,942.48	\$ -38,732.79	\$ -111,617.21
Prior Year Reserves				
Not Available for Expenditure				
Uncollectible Accounts Receivable	<u>121,365.23</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 Budget Unit Totals	 <u>\$ 1,170,040.50</u>	 <u>\$ -1,009,942.48</u>	 <u>\$ -38,732.79</u>	 <u>\$ -111,617.21</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 2012 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	\$ 0.00	\$ 3,369.20	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<u>-15,266.89</u>	<u>0.00</u>	<u>1,338,632.55</u>	<u>1,215,117.65</u>	<u>1,214,123.29</u>	<u>994.36</u>	<u>1,215,117.65</u>
\$ -15,266.89	\$ 0.00	\$ 1,342,001.75	\$ 1,215,117.65	\$ 1,214,123.29	\$ 994.36	\$ 1,215,117.65
<u>15,266.89</u>	<u>0.00</u>	<u>0.00</u>	<u>136,632.12</u>	<u>136,632.12</u>	<u>0.00</u>	<u>136,632.12</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,342,001.75</u>	<u>\$ 1,351,749.77</u>	<u>\$ 1,350,755.41</u>	<u>\$ 994.36</u>	<u>\$ 1,351,749.77</u>

Summary of Ending Fund Balance

Reserved			
Department Sales and Services	\$	339,337.41	\$ 339,337.41
Indirect Cost Recoveries		109,787.10	109,787.10
Technology Fees		109,833.47	109,833.47
Restricted/Sponsored Funds		102,794.24	102,794.24
Uncollectible Accounts Receivable		136,632.12	136,632.12
Tuition Carry-Over		552,371.07	552,371.07
Unreserved			
Surplus			\$ 994.36
			<u>994.36</u>
Total Ending Fund Balance - June 30	\$	<u>1,350,755.41</u>	\$ <u>1,351,749.77</u>

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GAINESVILLE STATE COLLEGE  
 RECONCILIATION OF SALARIES AND TRAVEL  
 YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 26,348,322.15	\$ 297,835.88
Accruals		
June 30, 2011	-175,693.74	
Prepaid		
June 30, 2011	308,918.06	
Compensated Absences		
June 30, 2012	1,165,257.90	
June 30, 2011	-1,021,026.64	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Georgia State University		
Vines, Anthony Clark	7,200.00	
University of Georgia		
Durham, Katie	11,735.10	
Gresham, Ashley	2,583.60	
Hagood, Samatha	4,986.35	
Jimenez, Elizabeth	11,735.10	
Parks, Rodney	12,918.00	
Sale, Jennifer	3,758.00	
Zwillich, Paula	11,735.10	
Rounding	0.02	0.12
	\$ 26,692,429.00	\$ 297,836.00

SECTION II

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS



GAINESVILLE STATE COLLEGE  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2012

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)

**Budgetary Over-expenditure**

The approved budget of the College provided for expenditures totaling \$62,518,412.00. A comparison of anticipated funds available and expenditures by budgetary program and funding source indicated that State Appropriations in the Teaching program were overspent by \$91,552.74. We recommend that the College closely monitor their internal control procedures over budget operations to prevent expenditure of funds in excess of budget approval.

**Misclassification of Accounts Receivable and Accounts Payable**

A review of accounts payable revealed negative balances which should have been reported as accounts receivable on the College's Annual Financial Report (AFR). An immaterial misstatement in the amount of \$370,074.48 was not corrected for these errors.

Management should review the individual accounts within the financial statements more closely to ensure activity of this nature is appropriately classified.

**Unallowable Use of P-cards**

A review of purchasing card activity revealed transactions that did not follow the guidelines for purchasing card usage as prescribed in the College's Procurement Card (P-Card) Manual. We identified instances of split purchases which circumvented established individual user purchasing limits.

Management should review procedures in place and implement changes necessary to ensure that all purchasing card transactions adhere to the policies and procedures as outlined in its Procurement Card (P-Card) Manual.