Fiscal Year 2017 Annual Financial Report

Including Independent Auditor's Report

KENNESAW STATE UNIVERSITY

KENNESAW STATE UNIVERSITY
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2017

Introductory Section

KENNESAW STATE UNIVERSITY

Message from the President

President's Message

Kennesaw State University experienced many transitions during Fiscal Year 2016-2017, but it continued to make great strides toward becoming a world-class institution. The University has experienced remarkable growth, with larger enrollment, new academic programs, more research and a nimbleness and creativity seldom found at institutions of higher learning.

Changes to the leadership team and administrative structure have moved the University forward and provided new opportunities for growth. These changes have represented a new beginning for faculty and staff, as they work to develop programs directed toward one important goal: the success of our students.

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

Some of the highlights from Fiscal Year 2017 include:

The enrollment at Kennesaw State now exceeds 35,000 students, who are pursuing undergraduate, master's and doctoral degrees on both the Kennesaw and Marietta campuses and online.

Kennesaw State took new steps toward making college more affordable for students, including lower costs for commuters dining on campus, reducing tuition for the University System of Georgia's eCore online courses and boosting funding for need-based scholarships.

The University laid the groundwork for managing enrollment growth at KSU, by establishing a Competitive Admissions Model to begin in fall 2018.

The leadership team was expanded in a number of areas across campus, including new academic deans for the University College and Graduate College, as well positions for Human Resources, Legal Affairs, Chief Business Officer, Chief Information Officer, Internal Auditing, Government Relations, and more.

Kennesaw State continued to add new degree programs for students, including bachelor's degrees in entrepreneurship, cybersecurity, digital animation, organizational communication, computer engineering, and more, as well as a graduate degree in mechanical engineering.

The University made great strides in preparing for the next phase of the strategic planning process, completing the 2017-2018 Bridge Strategic Plan in anticipation of the development of the 2018-2023 Strategic Plan.

Through the continued generosity of donors, the University opened opportunities for student learning in a wide variety of areas.

The University's physical expansion continued to move forward, with an expansion in the Science Laboratory building, an expansion of the engineering lab on the Marietta Campus, a renovated theater for dance on the Marietta Campus, a new headquarters for the Student Government Association, and expansion of space for the Student Disability Services Center and the Center for Young Adult Addiction and Recovery.

University faculty continued to pursue innovative research opportunities, winning grant funding from a variety of public and private sources, including major awards from the National Science Foundation, the National Institutes of Health, and much more.

Kennesaw State student-athletes continued to thrive in the classroom and on the field, as athletic programs were recognized with multiple conference championships and conference honors for students excelling in academics.

Kennesaw State University has seen some key changes during the past year, and that has led to new opportunities for building a bright future. And despite some shifts in leadership during the past year, the faculty, staff and students have continued to move the University forward in innovative and positive ways. The team that is in place will gain new members in the future, and their dedication to student success will continue to lay the foundation for the world-class institution Kennesaw State is destined to become.

Sam Olens
President

Letter of Transmittal

August 4, 2017

To President Sam Olens
Kennesaw State University,

The Annual Financial Report (AFR) for Kennesaw State University (Institution) includes the financial statements for the year ended June 30, 2017, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2017.

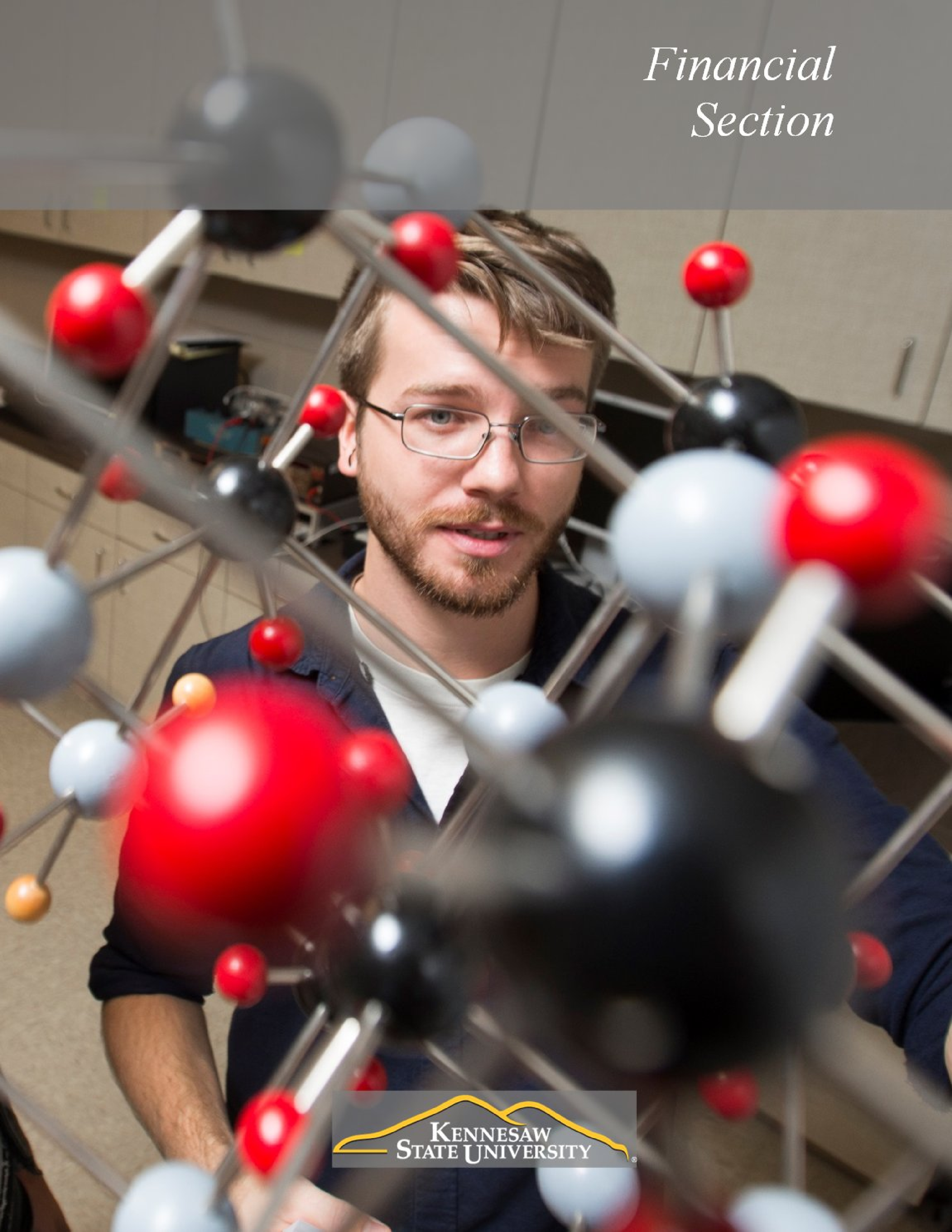
Kennesaw State University's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institute's financial position, revenues, expenses and other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

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

Respectfully submitted,

Julie Peterson
Chief Business Officer

Financial Section



KENNESAW
STATE UNIVERSITY®

DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Kennesaw State University (University), a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the discretely presented component units' financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities and aggregate discretely presented component units of the State of Georgia that are attributable to the University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2017, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, GASB Statement No. 77*, *Tax Abatement Disclosures*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

As described in Note 1 to the financial statements, in 2017, the beginning net position for the University's discretely presented component units was restated due to a change in the financial reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Contributions for Defined Benefit Pension Plan, Schedules of Proportionate Share of the Net Pension Liability and Notes to the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section and accompanying supplementary information as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the supplemental information, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin
State Auditor

December 15, 2017

KENNESAW STATE UNIVERSITY
Management's Discussion and Analysis

Introduction

Kennesaw State University (Institution) is one of the 28 institutions of higher education of the University System of Georgia. The Institution, offering campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. The University offers baccalaureate and master's degrees in a wide variety of subjects. This broad range of educational opportunities attracts a highly qualified faculty and a student body of more than 32,000 students each year. The institution continues to grow as shown by the comparison numbers that follow.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2017	35,018	31,360
FY 2016	33,252	29,768
FY 2015	32,500	28,835

Overview of the Financial Statements and Financial Analysis

The Institution is pleased to present its financial statements for fiscal year 2017. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institution's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2017 and fiscal year 2016.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2017 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution and how much the Institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment.

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

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

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

The following summarizes the Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION	June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	$ 124,469,273	$ 102,385,085	$ 22,084,188	21.57%
Capital Assets, Net	635,180,938	645,049,814	(9,868,876)	-1.53%
Other Assets	7,364,752	6,999,617	365,135	5.22%
TOTAL ASSETS	767,014,963	754,434,516	12,580,447	1.67%
DEFERRED OUTFLOWS	51,243,256	28,486,904	22,756,352	79.88%
LIABILITIES				
Current Liabilities	57,665,170	53,644,924	4,020,246	7.49%
Non-Current Liabilities	466,105,605	423,877,341	42,228,264	9.96%
TOTAL LIABILITIES	523,770,775	477,522,265	46,248,510	9.69%
DEFERRED INFLOWS	64,926,537	93,074,125	(28,147,588)	-30.24%
NET POSITION				
Net Investment in Capital Assets	278,269,993	274,600,389	3,669,604	1.34%
Restricted, Non-Expendable	4,378,951	4,091,172	287,779	7.03%
Restricted, Expendable	1,516,408	928,874	587,534	63.25%
Unrestricted (Deficit)	(54,604,445)	(67,295,405)	12,690,960	18.86%
TOTAL NET POSITION	$ 229,560,907	$ 212,325,030	$ 17,235,877	8.12%

Total assets increased $12,580,447 which was due to an increase in current assets of $22,084,188, a decrease in net capital assets of ($9,868,876), and an increase in other assets of $365,135. The increase in current assets was primarily in cash and cash equivalents and accounts receivable driven by tuition and fees charged to more students. Net capital assets decreased as depreciation expense outpaced asset additions.

Total deferred outflows of resources increased by $22,756,352 which was primarily due to the Institution's proportionate share of the actuarially determined deferred loss on defined benefit pension plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities increased $46,248,510 which was due to an increase in current liabilities of $4,020,246 and an increase in non-current liabilities of $42,228,264. Advances increased $1,507,558, which was attributable to prepaid tuition and fees related to an increase in enrollment for the summer semester. Net pension liability increased $51,708,216 related to the Institution's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. This increase was partially offset by a decrease in lease obligations due to current year lease payments and a gain on refinancing net of an increase in leased buildings.

Total deferred inflows of resources decreased by ($28,147,588) which was primarily due to the Institution's proportionate share of the actuarially determined deferred gain on defined benefit pension plan administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of $17,235,877. This change in net position is primarily in the category of Unrestricted Net Position of $12,690,960. Net Investment in Capital Assets increased in the amount of $3,669,604.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institution, both operating and non-operating, and the expenses paid by the Institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
Operating Revenue	$ 305,624,395	$ 293,765,919	$ 11,858,476	4.04%
Operating Expense	474,271,425	457,183,444	17,087,981	3.74%
Operating Income/Loss	(168,647,030)	(163,417,525)	(5,229,505)	3.20%
Net Nonoperating Revenues	175,116,522	159,794,577	15,321,945	9.59%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	6,469,492	(3,622,948)	10,092,440	278.57%
Other Revenues, Expenses, Gains, Losses and Special Items	10,766,385	22,913,349	(12,146,964)	-53.01%
Change in Net Position	17,235,877	19,290,401	(2,054,524)	-10.65%
Net Position at beginning of year	212,325,030	193,034,629	19,290,401	9.95%
Net Position at End of Year	$ 229,560,907	$ 212,325,030	$ 17,235,877	8.12%

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

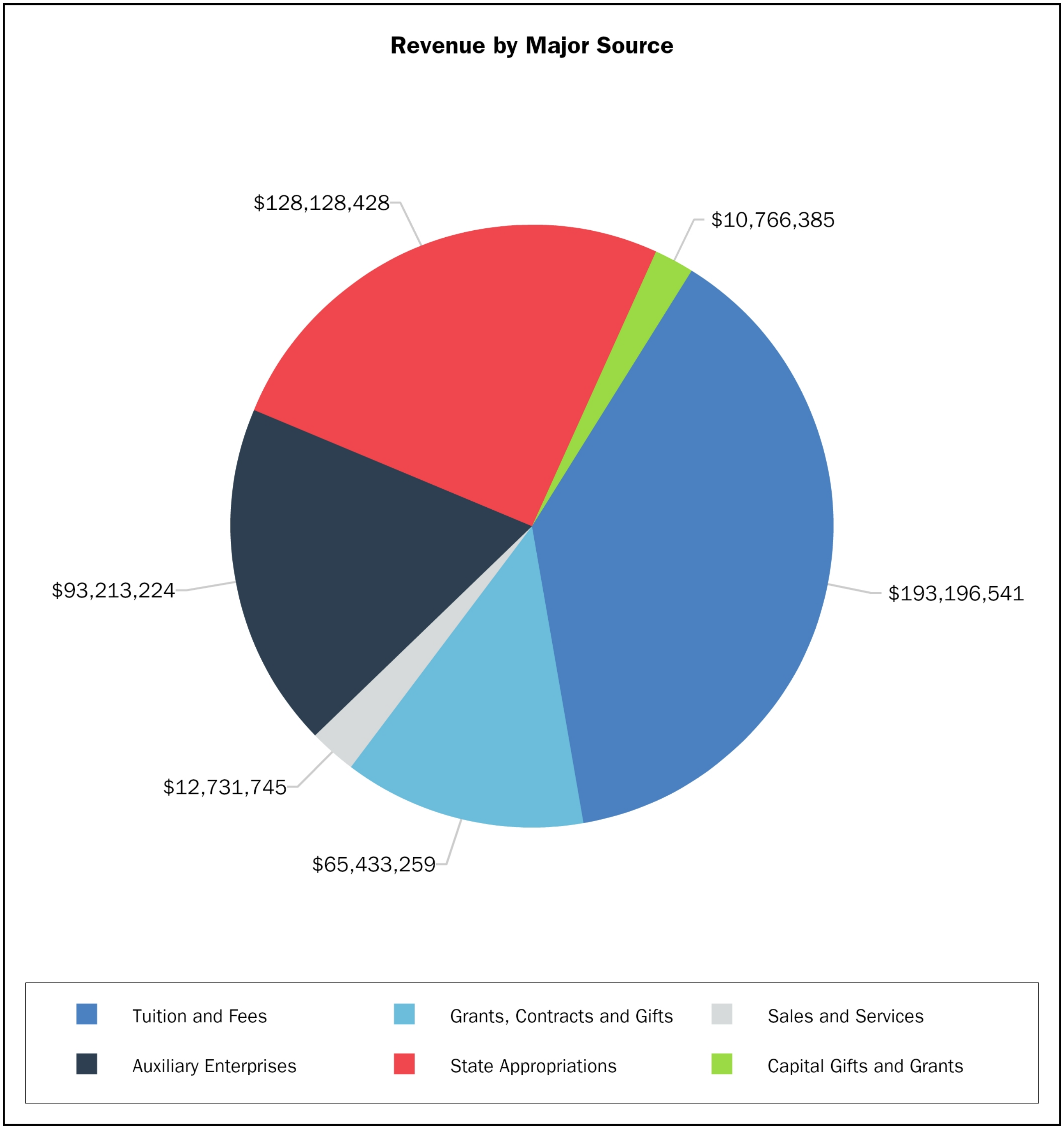
Revenues

For the years ended June 30, 2017 and June 30, 2016, revenues by source were as follows:

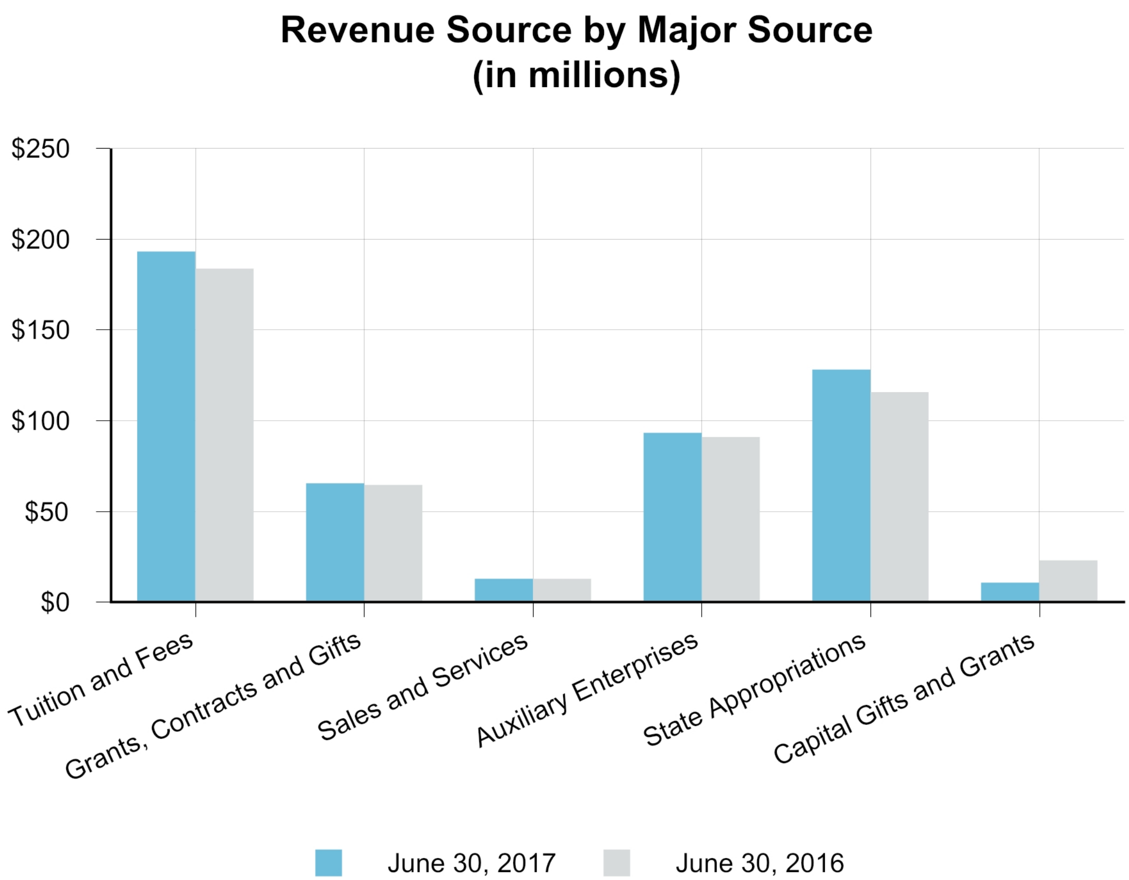
REVENUES BY SOURCE	June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
Tuition and Fees	$ 193,196,541	$ 183,761,639	$ 9,434,902	5.13%
Grants and Contracts	2,979,895	3,248,185	(268,290)	-8.26%
Sales and Services	12,731,745	12,733,728	(1,983)	-0.02%
Auxiliary Enterprises	93,213,224	90,962,832	2,250,392	2.47%
Other Operating Revenues	3,502,990	3,059,535	443,455	14.49%
Total Operating Revenues	305,624,395	293,765,919	11,858,476	4.04%
State Appropriations	128,128,428	115,692,680	12,435,748	10.75%
Grants and Contracts	61,305,707	60,194,200	1,111,507	1.85%
Gifts	1,147,657	1,125,674	21,983	1.95%
Investment Income	757,792	350,161	407,631	116.41%
Other Nonoperating Revenues	(217,200)	(401,073)	183,873	45.85%
Total Nonoperating Revenues	191,122,384	176,961,642	14,160,742	8.00%
State Capital Gifts and Grants	2,799,370	16,988,157	(14,188,787)	-83.52%
Other Capital Gifts and Grants	7,967,015	5,925,192	2,041,823	34.46%
Total Capital Gifts and Grants	10,766,385	22,913,349	(12,146,964)	-53.01%
Total Revenues	$ 507,513,164	$ 493,640,910	$ 13,872,254	2.81%

The increase in operating revenue was primarily due to tuition and fee revenues which increased $9,434,902 in fiscal year 2017 when compared with fiscal year 2016 due to enrollment increases. State appropriations increased $12,435,748 in fiscal year 2017. State capital gifts and grants decreased by $14,188,787 due to a property transfer in the prior year.

Revenue by source for 2017 is depicted by the following chart:



Revenue by major source for the years ended June 30, 2017 and June 30, 2016 is depicted by the following chart:



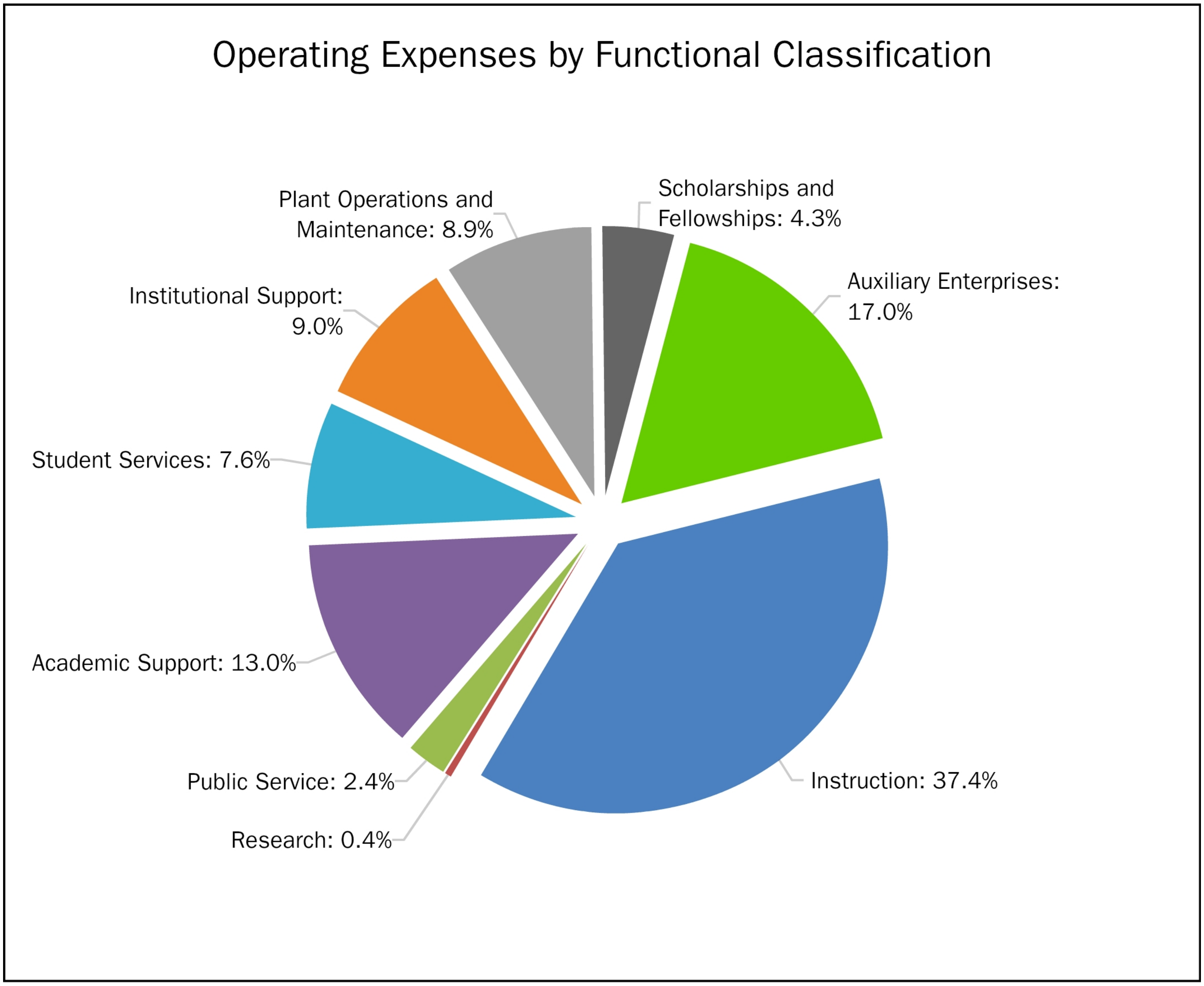
Expenses

For the years ended June 30, 2017 and June 30, 2016, expenses by functional classification were as follows:

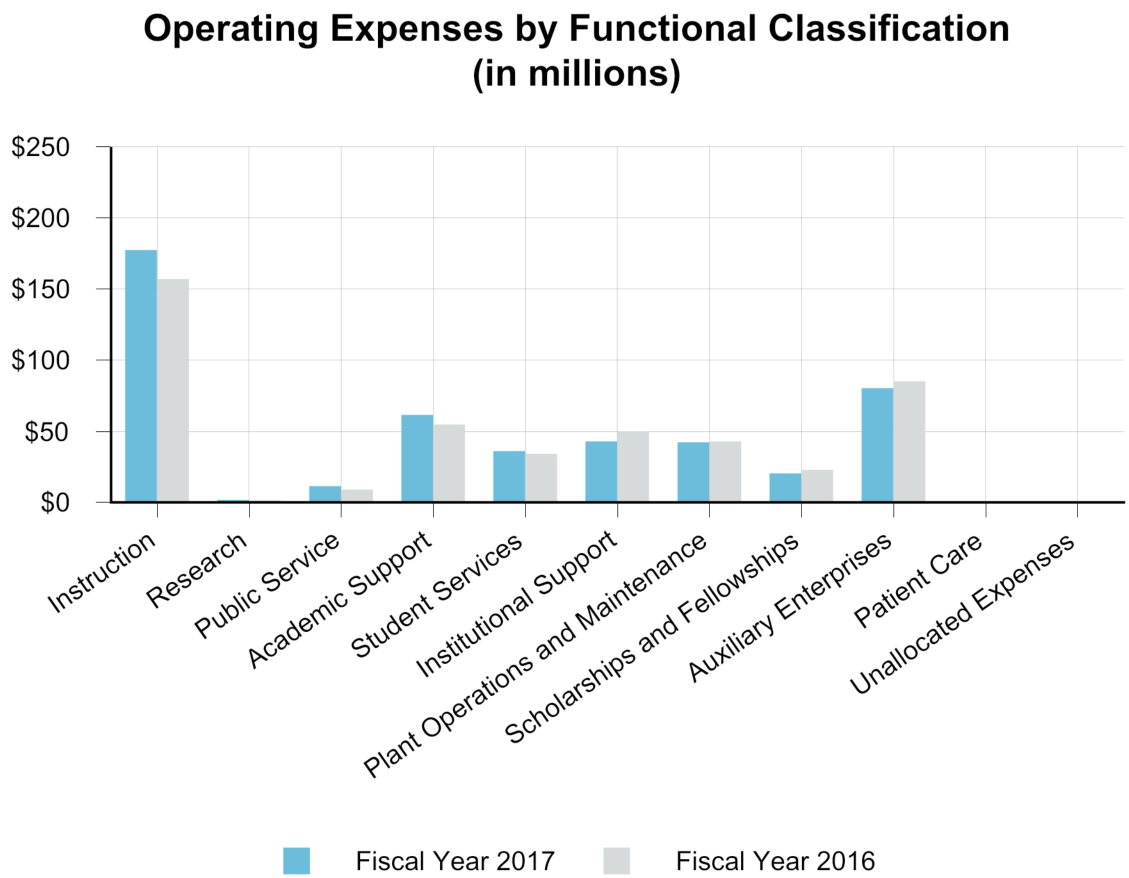
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2017	June 30, 2016	Increase/ (Decrease)	% Change
Instruction	177,562,016	157,155,957	20,406,059	12.98%
Research	1,709,730	1,486,021	223,709	15.05%
Public Service	11,406,213	8,990,287	2,415,926	26.87%
Academic Support	61,478,074	54,837,687	6,640,387	12.11%
Student Services	36,094,351	34,177,753	1,916,598	5.61%
Institutional Support	42,929,284	49,588,308	(6,659,024)	-13.43%
Plant Operations and Maintenance	42,244,781	42,925,296	(680,515)	-1.59%
Scholarships and Fellowships	20,440,159	22,826,518	(2,386,359)	-10.45%
Auxiliary Enterprises	80,406,817	85,195,617	(4,788,800)	-5.62%
Total Operating Expenses	474,271,425	457,183,444	17,087,981	3.74%
Interest Expense	16,005,862	17,167,065	(1,161,203)	-6.76%
Total Nonoperating Expenses	16,005,862	17,167,065	(1,161,203)	-6.76%
Total Expenses	490,277,287	474,350,509	15,926,778	3.36%

Total operating expenses were $474,271,425 in fiscal year 2017, an increase of $17,087,981 when compared with fiscal year 2016. These increases are primarily attributable to an increase in Instruction of $20,406,059 and Academic Support of $6,640,387. The increases were partially offset by decreases in primarily Institutional Support of ($6,659,024) and Auxiliary Enterprises of ($4,788,800). From a natural view, expenses increased primarily in salaries and employee benefits by $29,054,082 related to the Institution's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia, additional faculty and staff and an increase in salaries and wages. This was offset in part by a decrease in supplies and other services.

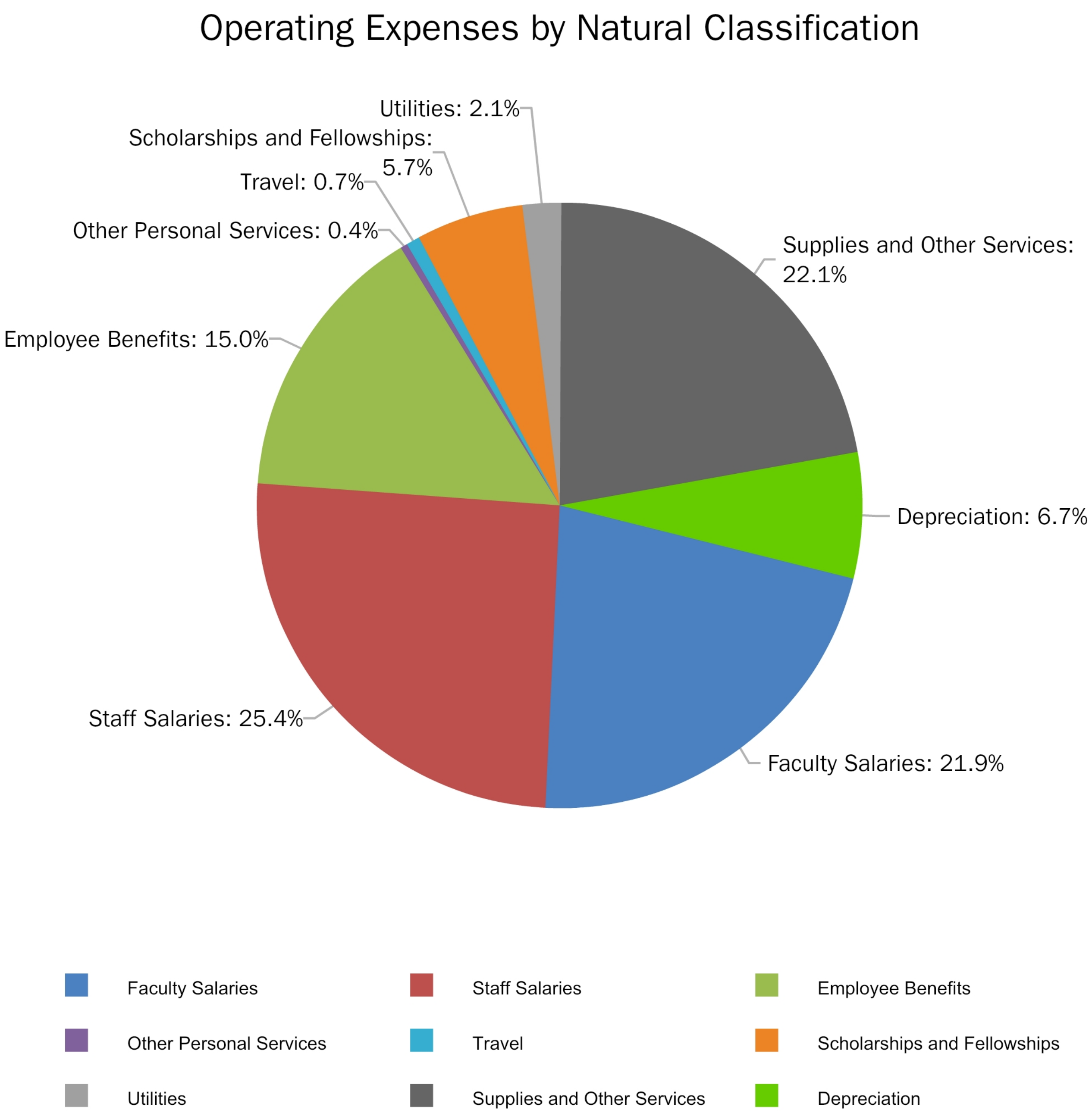
The following chart depicts the fiscal 2017 operating expenses by functional classification.



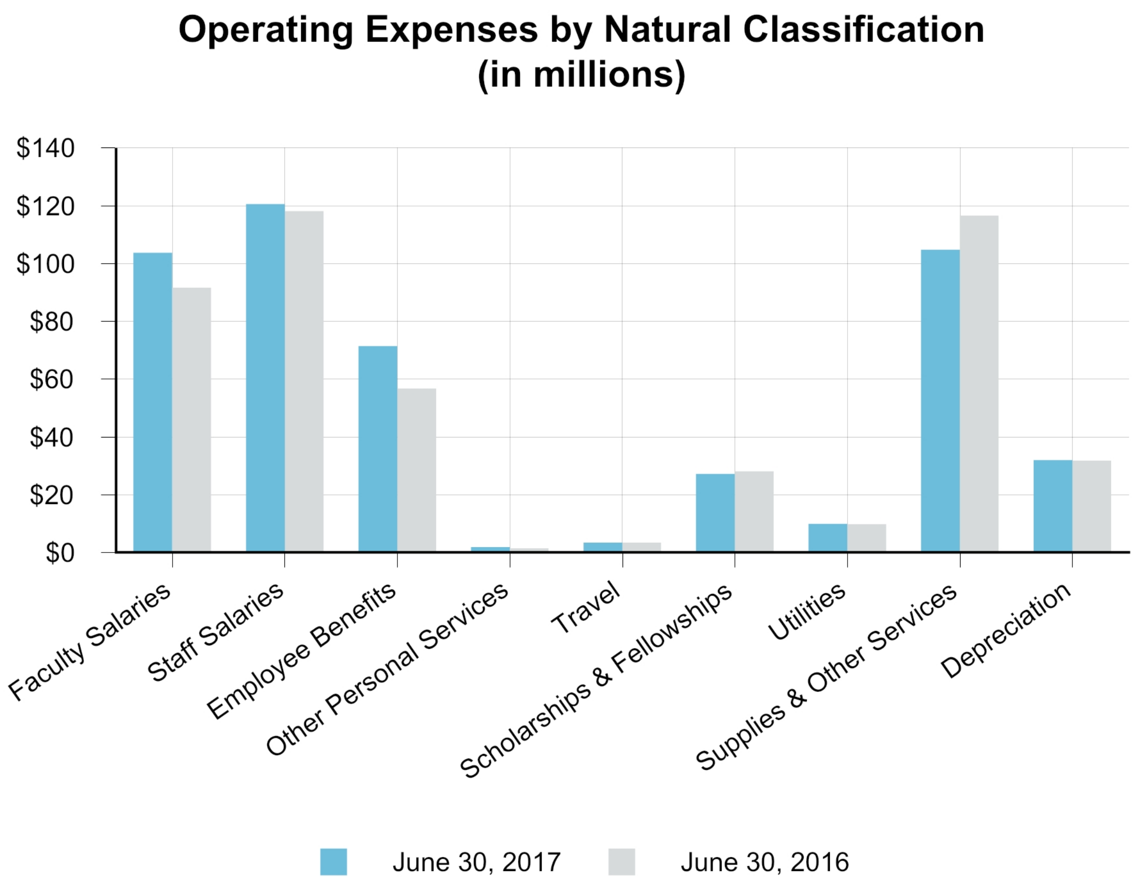
Operating expenses by by functional classification for the years ended June 30, 2017 and June 30, 2016 is depicted by the following chart:



The following chart depicts the fiscal year 2017 operating expenses by natural classification.



Operating expenses by by natural classification for the years ended June 30, 2017 and June 30, 2016 is depicted by the following chart:



Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2017 and 2016, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2017	June 30, 2016
Cash Provided (Used) by:		
Operating Activities	$ (130,084,458)	$ (127,796,004)
Non-Capital Financing Activities	188,129,822	174,923,372
Capital and Related Financing Activities	(41,667,511)	(37,921,631)
Investing Activities	399,678	300,078
Net Increase in Cash and Cash Equivalents	$ 16,777,531	$ 9,505,815
Cash and Cash Equivalents, beginning of year	82,593,642	73,087,827
Cash and Cash Equivalents, end of year	$ 99,371,173	$ 82,593,642

Capital Assets
Capital assets, net of accumulated depreciation, at June 30, 2017 and June 30, 2016 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change
Land	$ 35,770,057	$ 35,770,057	$ —	0.00%
Capitalized Collections	5,131,895	3,758,998	1,372,897	36.52%
Construction Work-in-Progress	16,660,712	6,835,834	9,824,878	143.73%
Infrastructure	7,521,122	7,024,314	496,808	7.07%
Building and Building Improvements	542,389,637	562,739,165	(20,349,528)	-3.62%
Facilities and Other Improvements	3,268,105	3,535,339	(267,234)	-7.56%
Equipment	18,131,719	18,687,965	(556,246)	-2.98%
Library Collections	1,752,241	2,005,252	(253,011)	-12.62%
Capitalized Collections	4,555,450	4,692,890	(137,440)	-2.93%
Capital Assets, net of accumulated depreciation	$ 635,180,938	$ 645,049,814	$ (9,868,876)	-1.53%

The Institution continued to add to construction in progress for various project on its two campuses. In addition land and building were gifted to the Institution by Kennesaw State University Foundation, Inc. and a lease with Kennesaw State University Foundation, Inc. was amended and restated to extend the term and add space. The overall decrease in capital assets was because depreciation expense outpaced additions.

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

Long Term Liabilities
Kennesaw State University had Long-Term Liabilities of $483,750,119 of which $17,644,514 was reflected as current liability at June 30, 2017.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Kennesaw State University is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The Institution's overall financial position is strong. The Institution anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Institution's ability to react to unknown internal and external issues.

Financial Statements

KENNESAW STATE UNIVERSITY

KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Kennesaw State University	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 99,371,173	$ 26,146,255
Accounts Receivable, net		
Federal Financial Assistance	2,535,087	—
Affiliated Organizations	3,918,599	—
Component Units	3,390,308	—
Primary Government	—	1,534,438
Other	9,932,545	2,419,228
Investment in Capital Leases - Primary Government	—	8,684,557
Inventories	3,198,795	242,980
Prepaid Items	2,122,766	297,141
Other Assets	—	4,615
Total Current Assets	124,469,273	39,329,214
Non-Current Assets		
Cash and Cash Equivalents	—	49,890,104
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	2,098,531	—
Pledges & Contributions	—	3,107,937
Investments		17,982,990
Notes Receivable, net	632,587	—
Investment in Capital Leases - Primary Government	—	229,550,273
Investments (Externally Restricted)	4,633,634	33,172,960
Capital Assets, net	635,180,938	94,219,762
Total Non-Current Assets	642,545,690	427,924,026
TOTAL ASSETS	767,014,963	467,253,240
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	1,049,629	—
Deferred Loss on Defined Benefit Pension Plans	50,193,627	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 51,243,256	$ —

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

KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Kennesaw State University	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 15,600,865	$ 11,139,269
Salaries Payable	1,675,742	—
Benefits Payable	638,266	—
Contracts Payable	532,391	—
Retainage Payable	278,878	—
Due to Affiliated Organizations	15,594	—
Due to Component Units	1,534,438	—
Due to Primary Government	—	3,390,308
Advances (Including Tuition and Fees)	17,720,919	1,964,531
Deposits	42,409	36,469
Deposits Held for Other Organizations	1,763,357	—
Other Liabilities	217,797	—
Notes and Loans Payable	—	400,000
Lease Purchase Obligations - External	1,105,627	—
Lease Purchase Obligations - Component Units	8,684,557	—
Revenue Bonds & Notes Payable	—	11,780,000
Liabilities Under Split Interest Agreements	—	18,800
Compensated Absences	7,854,330	—
Total Current Liabilities	57,665,170	28,729,377
Non-Current Liabilities		
Advances (Including Tuition and Fees)	—	758,334
Notes and Loans Payable	—	788,823
Lease Purchase Obligations - External	54,031,473	—
Lease Purchase Obligations - Component Units	229,550,273	—
Revenue Bonds & Notes Payable	—	372,553,171
Liabilities Under Split Interest Agreements	—	107,336
Compensated Absences	3,433,454	—
Net Pension Liability	179,090,405	—
Total Non-Current Liabilities	466,105,605	374,207,664
TOTAL LIABILITIES	523,770,775	402,937,041
DEFERRED INFLOWS OF RESOURCES		
Deferred Service Concession Arrangements	63,555,727	—
Deferred Gain on Defined Benefit Pension Plans	1,370,810	—
TOTAL DEFERRED INFLOWS OF RESOURCES	64,926,537	—
NET POSITION		
Net Investment in Capital Assets	278,269,993	(32,956,543)
Restricted for:		
Nonexpendable	4,378,951	36,388,593
Expendable	1,516,408	17,948,550
Unrestricted (Deficit)	(54,604,445)	42,935,599
TOTAL NET POSITION	$ 229,560,907	$ 64,316,199

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

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2017

	Kennesaw State University	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	$ 193,196,541	$ —
Grants and Contracts		
Federal	1,946,428	—
State	879,075	—
Other	154,392	—
Sales and Services	12,731,745	6,219,052
Rents and Royalties	1,012,363	41,124,292
Auxiliary Enterprises		
Residence Halls	17,103,480	—
Bookstore	13,913,170	—
Food Services	27,627,130	—
Parking/Transportation	10,087,308	—
Health Services	3,573,891	—
Intercollegiate Athletics	14,994,671	—
Other Organizations	5,913,574	—
Gifts and Contributions	—	8,019,802
Endowment Income	—	1,204,044
Other Operating Revenues	2,490,627	24,904,587
Total Operating Revenues	305,624,395	81,471,777
OPERATING EXPENSES		
Faculty Salaries	103,713,764	—
Staff Salaries	120,488,694	10,877,060
Employee Benefits	71,330,792	—
Other Personal Services	1,791,931	36,014
Travel	3,411,172	2,420,239
Scholarships and Fellowships	27,108,431	5,451,689
Utilities	9,824,873	3,041,028
Supplies and Other Services	104,716,887	25,623,712
Depreciation	31,884,881	5,551,017
Total Operating Expenses	474,271,425	53,000,759
Operating Income (Loss)	$ (168,647,030)	$ 28,471,018

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

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017

	Kennesaw State University	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$ 128,128,428	$ —
Grants and Contracts		
Federal	55,712,429	—
State	312,426	—
Other	5,280,852	—
Gifts	1,147,657	—
Investment Income	757,792	2,649,294
Interest Expense	(16,005,862)	(15,306,013)
Other Nonoperating Revenues (Expenses)	(217,200)	—
Net Nonoperating Revenues	175,116,522	(12,656,719)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	6,469,492	15,814,299
Capital Grants and Gifts		
State	2,799,370	—
Other	7,967,015	—
Special Item	—	940,155
Extraordinary Item	—	(3,324,141)
Total Other Revenues, Expenses, Gains or Losses	10,766,385	(2,383,986)
Change in Net Position	17,235,877	13,430,313
Net Position, Beginning of Year, As Originally Reported	212,325,030	48,568,649
Prior Year Adjustments	—	2,317,237
Net Position, Beginning of Year, Restated	212,325,030	50,885,886
Net Position-End of Year	$ 229,560,907	$ 64,316,199

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

KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	Kennesaw State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 302,256,875
Grants and Contracts (Exchange)	4,489,365
Payments to Suppliers	(182,835,633)
Payments to Employees	(226,768,175)
Payments for Scholarships and Fellowships	(27,108,431)
Loans Issued to Students	(696,859)
Collection of Loans from Students	689,838
Other Payments	(111,438)
Net Cash Used by Operating Activities	(130,084,458)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	128,128,428
Agency Funds Transactions - Receipts	476,015,974
Agency Funds Transactions - Disbursements	(475,483,620)
Gifts and Grants Received for Other Than Capital Purposes	59,478,422
Other Noncapital Financing Payments	(9,382)
Net Cash Flows Provided by Non-capital Financing Activities	188,129,822
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	2,249,080
Purchases of Capital Assets	(18,492,462)
Principal Paid on Capital Debt and Leases	(9,425,970)
Interest Paid on Capital Debt and Leases	(15,998,159)
Net Cash Used by Capital and Related Financing Activities	(41,667,511)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	421,790
Investment Income	464,123
Purchase of Investments	(486,235)
Net Cash Provided by Investing Activities	399,678
Net Increase in Cash and Cash Equivalents	16,777,531
Cash and Cash Equivalents, Beginning of year	82,593,642
Cash and Cash Equivalents - End of Year	$ 99,371,173

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

KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
JUNE 30, 2017

		Kennesaw State University
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(168,647,030)
Adjustments to Reconcile Net Operating Loss to		
Net Cash Used by Operating Activities		
Depreciation		31,884,881
Operating Expenses Related to Noncash Gifts		16,477
Change in Assets and Liabilities:		
Receivables, net		(2,035,928)
Inventories		986,090
Prepaid Items		(926,775)
Notes Receivable, Net		(7,021)
Accounts Payable		(316,615)
Salaries Payable		764,612
Deposits		(5,618)
Advances (Including Tuition & Fees)		1,507,558
Other Liabilities		(22,524)
Compensated Absences		541,689
Due to Affiliated Organizations		608,170
Net Pension Liability		51,708,216
Change in Deferred inflows/outflows of resources:		
Deferred Inflows of Resources		(23,292,253)
Deferred Outflows of Resources		(22,848,387)
Net Cash Used by Operating Activities	$	(130,084,458)
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Non-capital Financing Activities Accounts Receivable, Net of Allowances	$	2,983,177
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	$	752,901
Gift of Capital Assets	$	8,517,303
Loss on Disposal of Capital Assets	$	(207,817)
Accrual of Capital Asset Related Payables	$	(667,930)
Recognition of Capital Financing Activities Advances and Deferred Inflows	$	3,582,189
Amortization of Deferred Gain/Loss of Capital Debt Refunded	$	(92,036)
Accrual of Capital Financing Interest Payable	$	(1,296,514)
Release of Debt on Re-Financing	$	1,502,217
Unrealized Gain/Loss on Investments	$	293,668

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

KENNESAW STATE UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017

	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 4,279,617	$ 21,866,638	$ 26,146,255
Accounts Receivable, net			
Primary Government	1,305,946	228,492	1,534,438
Other	385,924	2,033,304	2,419,228
Investment in Capital Leases - Primary Government		8,684,557	8,684,557
Inventories	242,980		242,980
Prepaid Items	71,777	225,364	297,141
Other Assets	4,615		4,615
Total Current Assets	6,290,859	33,038,355	39,329,214
Non-Current Assets			
Cash and Cash Equivalents		49,890,104	49,890,104
Accounts Receivable, net			
Pledges & Contributions		3,107,937	3,107,937
Investments		17,982,990	17,982,990
Investment in Capital Leases - Primary Government		229,550,273	229,550,273
Investments (Externally Restricted)		33,172,960	33,172,960
Capital Assets, net	2,217,604	92,002,158	94,219,762
Total Non-Current Assets	2,217,604	425,706,422	427,924,026
TOTAL ASSETS	$ 8,508,463	$ 458,744,777	$ 467,253,240

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

KENNESAW STATE UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017

	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 343,118	$ 10,796,151	$ 11,139,269
Due to Primary Government	1,842,593	1,547,715	3,390,308
Advances (Including Tuition and Fees)	676,091	1,288,440	1,964,531
Deposits		36,469	36,469
Notes and Loans Payable	400,000		400,000
Revenue Bonds & Notes Payable		11,780,000	11,780,000
Liabilities Under Split Interest Agreements		18,800	18,800
Total Current Liabilities	3,261,802	25,467,575	28,729,377
Non-Current Liabilities			
Advances (Including Tuition and Fees)	758,334		758,334
Notes and Loans Payable	788,823		788,823
Revenue Bonds & Notes Payable		372,553,171	372,553,171
Liabilities Under Split Interest Agreements		107,336	107,336
Total Non-Current Liabilities	1,547,157	372,660,507	374,207,664
TOTAL LIABILITIES	4,808,959	398,128,082	402,937,041
NET POSITION			
Net Investment in Capital Assets	1,028,781	(33,985,324)	(32,956,543)
Restricted for:			
Nonexpendable	—	36,388,593	36,388,593
Expendable	819,542	17,129,008	17,948,550
Unrestricted (Deficit)	1,851,181	41,084,418	42,935,599
TOTAL NET POSITION	$ 3,699,504	$ 60,616,695	$ 64,316,199

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

KENNESAW STATE UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Total
OPERATING REVENUES			
Sales and Services	$ 5,686,095	$ 532,957	$ 6,219,052
Rents and Royalties		41,124,292	41,124,292
Gifts and Contributions	4,707,755	3,312,047	8,019,802
Endowment Income		1,204,044	1,204,044
Other Operating Revenues	14,955,975	9,948,612	24,904,587
Total Operating Revenues	25,349,825	56,121,952	81,471,777
OPERATING EXPENSES			
Staff Salaries	7,270,002	3,607,058	10,877,060
Other Personal Services		36,014	36,014
Travel	2,394,864	25,375	2,420,239
Scholarships and Fellowships	5,451,689		5,451,689
Utilities		3,041,028	3,041,028
Supplies and Other Services	8,381,848	17,241,864	25,623,712
Depreciation	436,626	5,114,391	5,551,017
Total Operating Expenses	23,935,029	29,065,730	53,000,759
Operating Income (Loss)	$ 1,414,796	$ 27,056,222	$ 28,471,018

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

KENNESAW STATE UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
JUNE 30, 2017

	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Total
NONOPERATING REVENUES (EXPENSES)			
Investment Income		$ 2,649,294	2,649,294
Interest Expense	$ (32,529)	(15,273,484)	(15,306,013)
Net Nonoperating Revenues	(32,529)	(12,624,190)	(12,656,719)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,382,267	14,432,032	15,814,299
Special Item		940,155	940,155
Extraordinary Item		(3,324,141)	(3,324,141)
Total Other Revenues, Expenses, Gains or Losses	—	(2,383,986)	(2,383,986)
Change in Net Position	1,382,267	12,048,046	13,430,313
Net Position, Beginning of Year, As Originally Reported		48,568,649	48,568,649
Prior Year Adjustments	2,317,237		2,317,237
Net Position, Beginning of Year, Restated	2,317,237	48,568,649	50,885,886
Net Position-End of Year	$ 3,699,504	$ 60,616,695	$ 64,316,199

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

Notes to the Financial Statements

KENNESAW STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies

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

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2017, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

- Kennesaw State University Athletic Association, Inc., 590 Cobb Avenue MD# 0201, Cobb, Kennesaw, GA, 30144

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

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

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

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

New Accounting Pronouncements
For fiscal year 2017, the Institution adopted GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses accounting and financial reporting issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

For fiscal year 2017, the Institution adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2017, the Institution adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2017, the Institution adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2017, the Institution adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other postemployment benefit (OPEB) plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

Future Accounting Pronouncements
In fiscal year 2018, the Institution will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement establish accounting and financial reporting standards for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. Implementation of this Statement will require the Institution to record a liability for its proportionate share of the OPEB Liability of plans in which it participates. Actuarial estimates are currently being made to determine the Institution's liability, the effects of which are believed to be material.

Cash and Cash Equivalents
Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the Board of Regents Short-Term Investment Pool.

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

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

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

Prepaid Items
Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items.

Capital Assets
Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Institution's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed $100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

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

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

program, funds will be returned to each institution. The balance included on the Institution's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the Institution's contribution to the Fund.

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

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

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

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

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

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

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

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

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

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

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

d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

Net Position
The Institution's net position is classified as follows:

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

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

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

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

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

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

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

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

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

- Operating expense includes activities that have the characteristics of exchange transactions.

- Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances
Scholarship allowances are the difference between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $47,590,327 and $582,719, respectively.

Restatement of Prior Year Net Position
The Institution made the following restatements:

	Discretely Presented Component Units
Net position, beginning of year, as originally reported	$ 48,568,649
Changes in financial reporting entity	2,317,237
Net position, beginning of year, restated	$ 50,885,886

Changes in Financial Reporting Entity

The determination was made that Kennesaw State University Athletic Association, Inc. met requirements for inclusion as discretely presented component units, which increased beginning net position in the amount of $2,317,237.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2017 are classified in the accompanying statement of net position as follows:

Cash & Cash Equivalents	$	99,371,173
Investments (Externally Restricted)		4,633,634
	$	104,004,807

Cash on hand, deposits and investments as of June 30, 2017 consist of the following:

Cash on Hand	$	77,673
Deposits with Financial Institutions		60,911,464
Investments		43,015,670
	$	104,004,807

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

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

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

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

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

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

6. 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, 2017, the bank balances of the Institution's deposits totaled $61,256,417. Of these deposits, none were exposed to custodial credit.

B. Investments

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

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

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

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

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

The following table summarizes the valuation of the Institution's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2017.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Equity Securities - Domestic	$ 174,357	$ 174,357
Investment Pools		
Board of Regents		
Short-Term Fund	38,382,036	
Legal Fund	608,088	
Balanced Income Fund	985,071	
Total Return Fund	2,866,118	
Total Investments	$ 43,015,670	

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

The Institution holds positions in external investment pools. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Institution does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Investment Pools

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the USG. This audit can be obtained from USG's web site at usg.edu/fiscal_affairs/financial_reporting.

Interest Rate Risk

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

The Effective Duration of the Short Term Fund is 0.429 years. Of the Institution's total investment in the Short Term Fund, 100% is invested in debt securities.

The Effective Duration of the Legal Fund is 3.813 years. Of the Institution's total investment in the Legal Fund, 100% is invested in debt securities.

The Effective Duration of the Total Return Fund is 5.58 years. Of the Institution's total investment in the Total Return Fund, 33% is invested in debt securities.

The Effective Duration of the Balanced Income Fund is 5.7 years. Of the Institution's total investment in the Balanced Income Fund, 67% is invested in debt securities.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

		Business Type Activities
Student Tuition and Fees	$	5,794,678
Auxiliary Enterprises and Other Operating Activities		4,623,638
Federal Financial Assistance		2,535,087
Georgia State Financing and Investment Commission		758,051
Due from Affiliated Organizations		3,918,598
Due from Component Units		3,390,309
Due From Other USG Institutions		2,098,531
Other		4,937,395
		28,056,287
Less: Allowance for Doubtful Accounts		6,181,217
Net Accounts Receivable	$	21,875,070

Note 4 Inventories

Inventories consisted of the following at June 30, 2017:

Consumable Supplies	$	57,597
Merchandise for Resale		3,141,198
Total	$	3,198,795

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2017. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institution for amounts canceled under these provisions. As the Institution determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. Periodically, the Institution estimates an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2017, the allowance for uncollectible loans estimate was $0.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2017 are shown below:

	Beginning Balances July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017
Capital Assets, Not Being Depreciated:				
Land	$ 35,770,057	$ —	$ —	$ 35,770,057
Capitalized Collections	3,758,998	1,372,897	0	5,131,895
Construction Work-in-Progress	6,835,834	14,499,600	4,674,722	16,660,712
Total Capital Assets Not Being Depreciated	46,364,889	15,872,497	4,674,722	57,562,664
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	11,889,522	883,118	—	12,772,640
Building and Building Improvements	803,945,570	4,319,788	347,545	807,917,813
Facilities and Other Improvements	7,553,901	—	—	7,553,901
Equipment	51,468,015	5,642,191	2,035,157	55,075,049
Library Collections	28,000,740	175,955	12,293	28,164,402
Capitalized Collections	5,947,262	21,500	—	5,968,762
Total Capital Assets Being Depreciated/Amortized	908,805,010	11,042,552	2,394,995	917,452,567
Less: Accumulated Depreciation/Amortization				
Infrastructure	4,865,208	386,310	—	5,251,518
Building and Building Improvements	241,206,405	24,624,066	302,295	265,528,176
Facilities and Other Improvements	4,018,562	267,234	—	4,285,796
Equipment	32,780,050	6,019,366	1,856,086	36,943,330
Library Collections	25,995,488	428,965	12,292	26,412,161
Capitalized Collections	1,254,372	158,940	—	1,413,312
Total Accumulated Depreciation/Amortization	310,120,085	31,884,881	2,170,673	339,834,293
Total Capital Assets, Being Depreciated/Amortized, Net	598,684,925	(20,842,329)	224,322	577,618,274
Capital Assets, net	$ 645,049,814	$ (4,969,832)	$ 4,899,044	$ 635,180,938

During fiscal year 2017, the Kennesaw State University Foundation, Inc. (KSUF) refinanced two leases and passed the perceived economic advantage to the Institution. This resulted in a building being gifted to the Institution. In addition, land was gifted in fiscal year 2017 as the result of a refinancing that occurred in the prior year. Another lease was amended and restated to add additional space and extend the term.

For the year ended June 30, 2017, GSFIC did not transfer any capital additions to the Institution related to GSFIC managed projects. At June 30, 2017, GSFIC had construction in progress of approximately $18.5 million for uncompleted projects for the Institution.

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

Fiscal Year	Depreciation Expense
2017	$ 31,884,881
2016	$ 31,708,533
2015	$ 30,466,008

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2017:

	Current Liabilities
Prepaid Tuition and Fees	$ 15,049,735
Other - Advances	2,671,184
Totals	$ 17,720,919

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2017 was as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current Portion
Lease Purchase Obligations	$ 302,358,426	$ 1,941,691	$ 10,928,187	$ 293,371,930	$ 9,790,184
Other Liabilities					
Compensated Absences	10,746,095	8,849,981	8,308,292	11,287,784	7,854,330
Net Pension Liability	127,382,189	51,708,216		179,090,405	
Total	138,128,284	60,558,197	8,308,292	190,378,189	7,854,330
Total Long-Term Obligations	$ 440,486,710	$ 62,499,888	$ 19,236,479	$ 483,750,119	$ 17,644,514

Note 9 Service Concessions Arrangements

At June 30, 2017, the Institution was a participant in three Service Concession Arrangements.

In August 2001, the Institution entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall (“University Place”) in accordance with a contractual agreement between the two parties. Under the terms of the agreement, Institution received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June, 2031.

In August 2003, the Institution entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Village”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.

In August 2007, the Institution entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Suites”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

At June 30, 2017, the Institution reports the three housing residences as capital assets with a net carrying value of $63,555,727. For fiscal year 2017, Institution reported a remaining deferred inflow of resources of $63,555,727 and amortized revenue of $3,582,190. As part of the contractual agreement, KSUF is responsible for insuring each of the three residence halls and for providing maintenance services. Institution has no reportable future obligation for these services.

Note 10 Net Position

The breakdown of business type activity net position for the Institution fund at June 30, 2017 is as follows:

NET POSITION	
Net Investment in Capital Assets	$ 278,269,993
Restricted for	
Nonexpendable	
Permanent Endowment	4,378,951
Expendable	
Sponsored and Other Organized Activities	677,626
Federal Loans	740,829
Institutional Loans	97,953
Sub-Total	1,516,408
Unrestricted	
Auxiliary Enterprises Operations	20,871,808
Auxiliary Enterprises Renewals & Replacement Reserve	7,485,010
Reserve for Encumbrances	45,405,898
Reserve for Inventory	6,670
Capital Liability Reserve Fund	2,098,531
Other Unrestricted	(130,472,362)
Sub-Total	(54,604,445)
Total Net Position	$ 229,560,907

Changes in Net Position for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Net Investments in Capital Assets	$ 274,600,389	$ 33,183,200	$ 29,524,090	$ 278,259,499
Restricted Net Position	5,020,046	64,473,523	63,598,210	5,895,359
Unrestricted Net Position	(67,295,405)	435,296,216	422,605,256	(54,604,445)
Total Net Position	$ 212,325,030	$ 532,952,939	$ 515,727,556	$ 229,550,413

Note 11 Endowments

Donor Restricted Endowments

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

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

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2017. The Institution did not have any other significant unearned outstanding construction or renovation contracts as of June 30, 2017.

Note 13 Leases

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

Capital Leases
The Institution acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution's principal and interest expenditures related to capital leases for fiscal year 2017 were $9,425,970 and $15,998,159, respectively. Interest rates range from 2.0% to 12.7%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2017:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2017	Outstanding Balances per Lease Schedules at June 30, 2017
	(+)	(-)	(=)	
Leased Land & Land Improvements	$ 19,879,664		$ 19,879,664	$ 20,280,565
Leased Buildings & Building Improvements	327,865,778	100,788,544	227,077,234	273,091,365
Total Assets Held Under Capital Lease	$ 347,745,442	$ 100,788,544	$ 246,956,898	$ 293,371,930

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

Description	Lessor (1)	Original Principal	Lease Term	Begin Month/Year	End Month/ Year	Outstanding Principal
Frey Lake Road Houses	KSU Foundation	$ 2,907,645	12 years	10/2015	4/2027	$ 2,489,398
East & West Parking Decks	KSU Foundation	12,658,233	11 years	10/2015	6/2026	10,595,657
Building Complex (3)	KSU Foundation	1,732,449	19 years	6/2017	6/2036	1,747,658
Building Complex (3)	KSU Foundation	2,044,877	19 years	6/2017	6/2036	4,054,414
House	KSU Foundation	242,220	30 years	12/2009	12/2039	214,036
North Parking Deck	KSU Foundation	10,435,200	14 years	10/2015	6/2029	9,058,786
Office Building	KSU Foundation	10,048,029	15 years	10/2015	6/2030	8,992,267
Classroom Building	KSU Foundation	953,858	24years	11/2006	8/2030	684,080
Central Parking Deck (2)	KSU Foundation	28,528,584	21 years	2/2017	6/2038	28,136,778
Clinic	KSU Foundation	685,000	26 years	7/2010	6/2036	578,089
Dining Hall Facility (2)	KSU Foundation	17,012,109	22 years	2/2017	6/2039	16,846,183
Multi-purpose Building	KSU Foundation	10,373,405	11 years	12/2008	6/2019	2,635,205
Sports Complex	KSU Foundation	61,006,867	30 years	7/2010	6/2040	62,235,622
Student Housing	KSU Foundation	26,768,863	29 years	8/2012	6/2041	26,195,228
Student Recreation Center	KSU Foundation	43,053,851	28 years	7/2014	6/2042	42,521,853
House	KSU Foundation	200,000	12 years	2/2007	1/2019	24,050
Commons Housing	KSU Foundation	8,742,600	14 years	6/2013	6/2027	6,781,165
Courtyard Housing	KSU Foundation	18,387,400	16 years	6/2013	6/2029	14,444,360
Parking Deck	USG Real Estate Foundation	17,323,738	25 years	6/2015	6/2040	16,879,312
Housing / Dining	USG Real Estate Foundation	39,719,186	24 years	6/2015	6/2039	38,257,789
		$ 312,824,114				$ 293,371,930

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

(2) In February 2017, the Kennesaw University Foundation, Inc., refunded the bonds associated with these leases and passed the perceived economic advantages of this refund to the Institution. As a result, an office building was released from the lease and gifted to the University.

(3) In June 2017, Kennesaw University Foundation, Inc and the Institution agreed to an amended and restated lease agreement on these leases. The leases were extended for eight years and additional space was added.

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

Operating Leases

The Institution leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution's operating lease expense for fiscal 2017 was $894,356, which includes payments to related parties of $85,732.?The Institution is obligated to pay these related parties a total of $0 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2017, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2018	$ 28,038,914	$ 211,667
2019	27,732,568	
2020	26,293,080	
2021	26,494,778	
2022	26,687,538	
2023 through 2027	134,457,480	
2028 through 2032	112,460,831	
2033 through 2037	104,016,340	
2038 through 2042	55,329,449	
Total minimum lease payments	541,510,978	$ 211,667
Less: Interest	197,615,300	
Less: Executory costs	50,523,748	
Principal Outstanding	$ 293,371,930	

Note 14. Retirement Plans

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

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

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

General Information about the Teachers Retirement System

Plan description

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

Benefits Provided

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

Contributions
Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The Institution's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual the Institution payroll. The Institution's contributions to TRS totaled $14,725,098 for the year ended June 30, 2017.

General Information about the Employees' Retirement System

Plan description
ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/formspubs/formspubs.

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

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

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

Contributions
Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Institution's contributions to ERS totaled $49,098 for the year ended June 30, 2017. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2016. At June 30, 2016, the Institution's TRS proportion was 0.866499%, which was an increase of 0.031013% from its proportion measured as of June 30, 2015. At June 30, 2016, the Institution's ERS proportion was 0.006807%, which was a increase of 0.002173% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Institution recognized pension expense of $20,305,423 for TRS and $36,351 for ERS. At June 30, 2017, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,663,167	$ 884,011	$ —	$ 744
Changes of assumptions	4,633,430	—	2,727	—
Net difference between projected and actual earnings on pension plan investments	22,614,939	—	32,738	—
Changes in proportion and differences between contributions and proportionate share of contributions	5,418,682	459,011	53,748	27,044
Contributions subsequent to the measurement date	14,725,098	—	49,098	—
Total	$ 50,055,316	$ 1,343,022	$ 138,311	$ 27,788

The Institution's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	$ 4,629,680	$ 17,729
2019	$ 4,629,672	$ 15,104
2020	$ 14,285,383	$ 17,651
2021	$ 9,896,503	$ 10,941
2022	$ 545,958	$ —

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives		5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$ 278,255,228	$ 178,768,405	$ 96,857,406

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$ 436,369	$ 322,000	$ 224,534

Pension plan fiduciary net position

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

B. Defined Contribution Plan:

Regents Retirement Plan

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

Funding Policy
The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2017, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $8,771,681 (9.24%) and $5,695,901 (6%), respectively.

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

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2017, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

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

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

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

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

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

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

Note 16 Contingencies

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

Litigation, claims and assessments filed against the Institution, 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, 2017.

Note 17 Post-Employment Benefits Other Than Pension Benefits

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

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

As of June 30, 2017, there were 689 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2017, the Institution recognized $1,043,105 in expenses, which was net of $410,131 of participant contributions.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2017 are shown below:

	Natural Classification				
Functional Classification	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	$ 98,336,943	$ 22,669,093	$ 36,194,709	$ 296,101	$ 1,894,571
Research	345,376	334,910	100,622		54,414
Public Service	707,221	4,679,872	1,321,644	66,143	201,626
Academic Support	3,450,167	32,112,409	9,454,528	40,702	562,835
Student Services	366,135	18,530,367	5,557,507	61,947	310,076
Institutional Support	503,122	18,751,790	10,950,248	1,076,565	267,983
Plant Operations and Maintenance	—	12,403,802	4,406,346	352	70,471
Scholarships and Fellowships					
Auxiliary Enterprises	4,800	11,006,451	3,345,188	250,121	49,196
Total Operating Expenses	$ 103,713,764	$ 120,488,694	$ 71,330,792	$ 1,791,931	$ 3,411,172

	Natural Classification				
Functional Classification	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/ Amortization	Total Operating Expenses
Instruction	$ 1,151,316	$ 453,700	$ 13,777,729	$ 2,787,854	$ 177,562,016
Research	8,600	41	639,025	226,742	1,709,730
Public Service	345,546	36,079	4,029,685	18,397	11,406,213
Academic Support	79,622	227,395	10,768,707	4,781,709	61,478,074
Student Services	989,966	679,018	5,947,282	3,652,053	36,094,351
Institutional Support	3,000	78,774	9,973,631	1,324,171	42,929,284
Plant Operations and Maintenance		6,604,861	11,689,700	7,069,249	42,244,781
Scholarships and Fellowships	20,440,159				20,440,159
Auxiliary Enterprises	4,090,222	1,745,005	47,891,128	12,024,706	80,406,817
Total Operating Expenses	$ 27,108,431	$ 9,824,873	$ 104,716,887	$ 31,884,881	$ 474,271,425

Note 19 Component Units

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

The KSUAA administers Kennesaw State University's intercollegiate athletics program, including fund-raising to support scholarships. During the year ended June 30, 2017, the KSUAA distributed approximately $11,470,000 million to Kennesaw State University for services such as food services, parking services, health services, tuition, gas, electricity, and security.

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

The KSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2017, the KSUF distributed approximately $4,110,822 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

Component units' investments are comprised of the following amounts at June 30, 2017:

	Fair Value
Investment type	
U.S. Agencies	
Implicitly Guaranteed	$ 13,558,563
Corporate Debt	3,030,453
Money Market Mutual Funds	2,594,868
Mutual Bond Funds	2,815,446
Equity Mutual Funds - Domestic	3,567,504
Equity Mutual Funds - International	2,483,116
Equity Securities - Domestic	14,551,840
Equity Securities - International	3,655,710
Hedge Funds	2,965,747
Commodity Fund	1,388,484
High Yield Bonds	544,219
Total Investments	$ 51,155,950

Component units' endowments are comprised of the following amounts at June 30, 2017:

	Unrestricted and Quasi Endowments	Temporarily Restricted and Term Endowment	Permanently Restricted and True Endowment	Total
Beginning	$ (238,319)	$ 3,571,568	$ 29,731,512	$ 33,064,761
Contributions	—	64,223	853,517	917,740
Net realized and unrealized gains	115,227	3,291,267	—	3,406,494
Appropriation of endowment assets for expenditure	—	(1,204,044)	—	(1,204,044)
Transfers to comply with donor intent	—	(125,874)	(889,000)	(1,014,874)
Other	—	1,513,322	3,868,933	5,382,255
Ending	$ (123,092)	$ 7,110,462	$ 33,564,962	$ 40,552,332

Component units' capital assets are comprised of the following amounts at June 30, 2017:

Capital Assets not being Depreciated:	
Land (and other assets)	$ 5,717,512
Works of Art	553,650
Leased Land and Land Improvements	75,603
Total Capital Assets not being Depreciated	6,346,765
Capital Assets being Depreciated:	
Buildings and Building Improvements	139,382,457
Infrastructure	1,326,024
Machinery and Equipment	11,241,052
Software	82,581
Total Capital Assets being Depreciated/Amortized	152,032,114
Less Total Accumulated Depreciation/Amortization	64,159,117
Total Capital Assets being Depreciated/Amortized, Net	87,872,997
Capital Assets, Net	$ 94,219,762

Component units' long-term liabilities are comprised of the following amounts at June 30, 2017:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts due within One Year
Liabilities under split interest agreement	$ 43,776	$ 102,372	$ 20,012	$ 126,136	$ 18,800
Notes and Loans Payable	1,652,083	—	452,083	1,200,000	400,000
Note (Discount)	(14,903)	—	(3,726)	(11,177)	—
Interest Rate Swap	21,821	—	21,821	—	—
Revenue/Mortgage Bonds Payable	370,640,000	68,890,000	63,765,000	375,765,000	11,780,000
Unamortized Issuance and Other Bond Related Costs	(5,797,927)	—	551,971	(6,349,898)	—
Bond - Premium	12,885,594	5,341,161	2,031,941	16,194,814	—
Bond - (Discount)	(1,745,194)	(49,698)	(518,147)	(1,276,745)	—
Total Long Term Liabilities	$ 377,685,250	$ 74,283,835	$ 66,320,955	$ 385,648,130	$ 12,198,800

Component units' notes and loans are comprised of the following amounts at June 30, 2017:

		Principal	Interest	Total
Year ending June 30:				
2018	1	$ 400,000	$ 29,807	$ 429,807
2019	2	400,000	19,871	419,871
2020	3	400,000	9,936	409,936
		1,200,000	59,614	1,259,614
Note (Discount)		(11,177)	—	(11,177)
		$ 1,188,823	$ 59,614	$ 1,248,437

Component units' bonds payable are comprised of the following amounts at June 30, 2017:

		Principal	Interest	Total
Year ending June 30:				
2018	1	$ 11,780,000	$ 16,377,537	$ 28,157,537
2019	2	12,715,000	16,129,103	28,844,103
2020	3	12,575,000	15,578,739	28,153,739
2021	4	13,320,000	14,987,026	28,307,026
2022	5	14,020,000	14,368,485	28,388,485
2023 through 2027	6-10	82,950,000	61,572,480	144,522,480
2028 through 2032	11-15	83,110,000	43,010,815	126,120,815
2033 through 2037	16-20	90,675,000	23,434,159	114,109,159
2038 through 2042	21-25	52,030,000	5,261,606	57,291,606
2043 through 2047	26-30	2,590,000	49,038	2,639,038
		375,765,000	210,768,988	586,533,988
Unamortized Issuance and Other Bond Related Costs		(6,349,898)	—	(6,349,898)
Bond Premium		16,194,814	—	16,194,814
Bond (Discount)		(1,276,745)	—	(1,276,745)
		$ 384,333,171	$ 210,768,988	$ 595,102,159

Amounts due to component units related to direct financing lease activity as of June 30, 2017 is as follows:

Year Ending June 30:	Year:		
2018	1	$	20,618,346
2019	2		21,011,380
2020	3		19,632,372
2021	4		19,760,256
2022	5		19,759,570
2023 through 2027	6-10		98,338,048
2028 through 2032	11-15		76,420,226
2033 through 2037	16-20		68,415,389
2038 through 2042	21-25		41,618,061
Total minimum lease payments to be received			385,573,648
Less: Unearned Income			(147,338,818)
Net Investment in Direct Financing Lease		$	238,234,830

Required Supplementary Information

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

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2017	$ 49,098	$ 49,098	$ —	$ 198,195	24.77%
	6/30/2016	$ 39,126	$ 39,126	$ —	$ 158,275	24.72%
	6/30/2015	$ 23,268	$ 23,268	$ —	$ 105,956	21.96%
	6/30/2014	$ 31,308	$ 31,308	$ —	$ 169,321	18.49%
	6/30/2013	$ 19,697	$ 19,697	$ —	$ 132,193	14.90%
	6/30/2012	$ 21,502	$ 21,502	$ —	$ 184,884	11.63%
	6/30/2011	$ 18,239	$ 18,239	$ —	$ 175,207	10.41%
	6/30/2010	$ 13,907	$ 13,907	$ —	$ 133,593	10.41%
	6/30/2009	$ 3,557	$ 3,557	$ —	$ 34,170	10.41%
	6/30/2008	$ 3,505	$ 3,505	$ —	$ 31,977	10.96%
Teachers' Retirement System	6/30/2017	$ 14,725,098	$ 14,725,098	$ —	$ 103,247,814	14.26%
	6/30/2016	$ 13,576,004	$ 13,576,004	$ —	$ 95,179,702	14.26%
	6/30/2015	$ 11,607,133	$ 11,607,133	$ —	$ 88,267,171	13.15%
	6/30/2014	$ 8,326,658	$ 8,326,658	$ —	$ 66,613,266	12.50%
	6/30/2013	$ 7,777,316	$ 7,777,316	$ —	$ 68,172,439	11.41%
	6/30/2012	$ 6,932,081	$ 6,932,081	$ —	$ 67,432,695	10.28%
	6/30/2011	$ 6,425,378	$ 6,425,378	$ —	$ 62,503,677	10.28%
	6/30/2010	$ 5,761,703	$ 5,761,703	$ —	$ 59,155,062	9.74%
	6/30/2009	$ 5,101,073	$ 5,101,073	$ —	$ 54,968,459	9.28%
	6/30/2008	$ 4,662,513	$ 4,662,513	$ —	$ 50,242,597	9.28%

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

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

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

KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2017

Changes of assumptions

Employees' Retirement System:

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

Teachers Retirement System:

In 2010 and later, the expectation of retired life mortality was changed to the RP - 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP - 2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Supplementary Information

Kennesaw State University

Kennesaw State University®

KENNESAW STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30. 2017

ASSETS		
Cash and Cash Equivalents	$	56,860,168.40
Investments		101,030.34
Accounts Receivable		
Federal Financial Assistance		3,816,236.66
Other		14,759,168.11
Prepaid Expenditures		1,316,074.17
Inventories		27,006.55
Other Assets		295,519.41
Total Assets	$	77,175,203.64
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	1,551,814.34
Encumbrance Payable		39,818,854.40
Accounts Payable		1,709,159.47
Unearned Revenue		14,152,182.31
Other Liabilities		112,000.00
Total Liabilities		57,344,010.52
Fund Balances		
Reserved		
Department Sales and Services		7,556,679.25
Indirect Cost Recoveries		2,569,764.79
Technology Fees		528,942.21
Restricted/Sponsored Funds		290,846.92
Uncollectible Accounts Receivable		3,887,074.02
Tuition Carry - Forward		4,914,814.44
Unreserved		
Surplus		83,071.49
Total Fund Balances		19,831,193.12
Total Liabilities and Fund Balances	$	77,175,203.64

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYIS REPORT (NON-GAAP BASIS)
BUDGET FUNDS
FOR FISCAL YEAR ENDED JUNE 30. 2017

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
State Appropriations	$ 128,194,842.00	$ 128,194,842.00	$ —
Other Funds	321,300,203.00	298,471,160.41	(22,829,042.59)
Total Revenue	449,495,045.00	426,666,002.41	(22,829,042.59)
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	—	14,854,272.09	14,854,272.09
Total Funds Available	449,495,045.00	441,520,274.50	(7,974,770.50)
EXPENDITURES			
Public Service/Special Funding Initiative	642,033.00	642,033.00	—
Teaching	448,853,012.00	424,285,588.05	24,567,423.95
Total Expenditures	449,495,045.00	424,927,621.05	24,567,423.95
Excess of Funds Available over Expenditures	$ —	16,592,653.45	$ 16,592,653.45
FUND BALANCE JULY 1			
Reserved		17,878,369.44	
Unreserved		66,413.93	
ADJUSTMENTS			
Prior Year Payables/Expenditures		526,931.56	
Prior Year Receivables/Revenues		(312,489.24)	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office			
Year Ended June 30, 2016		(66,413.93)	
Prior Year Reserved Fund Balance Included in Funds Available		(14,854,272.09)	
ENDING FUND BALANCE JUNE 30		$ 19,831,193.12	
SUMMARY OF FUND BALANCE			
Reserved			
Department Sales & Services		$ 7,556,679.25	
Indirect Cost Recovery		2,569,764.79	
Technology Fees		528,942.21	
Restricted/Sponsored Funds		290,846.92	
Uncollectible Accounts Receivable		3,887,074.02	
Tuition Carry - Forward		4,914,814.44	
Total Reserved		19,748,121.63	
Unreserved			
Surplus		83,071.49	
Total Fund Balance		$ 19,831,193.12	

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30. 2017

				Funds Available Compared to Budget	
	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	$ 627,033.00	$ 627,033.00	$ 642,033.00	$ 642,033.00	$ —
Teaching					
State Appropriation					
State General Funds	126,158,809.00	126,158,809.00	127,552,809.00	127,552,809.00	—
Other Funds	271,662,798.00	271,662,798.00	321,300,203.00	298,471,160.41	14,854,272.09
Total Teaching	397,821,607.00	397,821,607.00	448,853,012.00	426,023,969.41	14,854,272.09
Total Operating Activity	$ 398,448,640.00	$ 398,448,640.00	$ 449,495,045.00	$ 426,666,002.41	$ 14,854,272.09

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30. 2017

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	$ —	$ 642,033.00	$ —	$ 642,033.00	$ —	$ —
Teaching						
State Appropriation						
State General Funds	—	127,552,809.00	—	127,552,809.00	—	—
Other Funds	—	313,325,432.50	(7,974,770.50)	296,732,779.05	24,567,423.95	16,592,653.45
Total Teaching	—	440,878,241.50	(7,974,770.50)	424,285,588.05	24,567,423.95	16,592,653.45
Total Operating Activity	$ —	$ 441,520,274.50	$ (7,974,770.50)	$ 424,927,621.05	$ 24,567,423.95	$ 16,592,653.45

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30. 2017

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2016 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	$ —	$ —	$ —	$ —	$ —
Teaching					
State Appropriation					
State General Funds	43,744.02	—	(43,744.02)	60,428.10	—
Other Funds	14,876,942.00	(14,854,272.09)	(22,669.91)	154,014.22	(862,976.67)
Total Teaching	14,920,686.02	(14,854,272.09)	(66,413.93)	214,442.32	(862,976.67)
Total Operating Activity	14,920,686.02	(14,854,272.09)	(66,413.93)	214,442.32	(862,976.67)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	—				—
Uncollectible Accounts Receivable	3,024,097.35				862,976.67
Budget Unit Totals	$ 17,944,783.37	$ (14,854,272.09)	$ (66,413.93)	$ 214,442.32	$ —

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30. 2017

	Early Return of Fiscal Year 2017 Surplus	Excess (Deficiency) of Funds Available Over/Under) Expenditures	Ending Fund Balance/(Deficit)	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	$ —	$ —	$ —	$ —	$ —	$ —
Teaching						
State Appropriation						
State General Funds	—	—	60,428.10	—	60,428.10	60,428.10
Other Funds	—	16,592,653.45	15,883,691.00	15,861,047.61	22,643.39	15,883,691.00
Total Teaching	—	16,592,653.45	15,944,119.10	15,861,047.61	83,071.49	15,944,119.10
Total Operating Activity	—	16,592,653.45	15,944,119.10	15,861,047.61	83,071.49	15,944,119.10
Prior Year Reserves						
Not Available for Expenditure						
Inventories			—	—		—
Uncollectible Accounts Receivable			3,887,074.02	3,887,074.02		3,887,074.02
Budget Unit Totals	$ —	$ 16,592,653.45	$ 19,831,193.12	$ 19,748,121.63	$ 83,071.49	$ 19,831,193.12

	Reserved	Surplus/(Deficit)	Total
Departmental Sales and Services	$ 7,556,679.25	$ —	$ 7,556,679.25
Indirect Cost Recovery	2,569,764.79	—	2,569,764.79
Technology Fees	528,942.21	—	528,942.21
Restricted/Sponsored Funds	290,846.92	—	290,846.92
Tuition Carry-Forward	4,914,814.44	—	4,914,814.44
Uncollectible Accounts Receivable	3,887,074.02	—	3,887,074.02
Surplus	—	83,071.49	83,071.49
	$ 19,748,121.63	$ 83,071.49	$ 19,831,193.12

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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