

AUGUSTA UNIVERSITY



Annual Financial Report Fiscal Year 2018

Including Independent Auditor's Report

Harrison, M.D. Education Commons



AUGUSTA UNIVERSITY
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Financial Section



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Brian P. Kemp, 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
Dr. Brooks Keel, President
Augusta University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Augusta University (University), a unit of the University System of Georgia, as of and for the year ended June 30, 2018, 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 reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units of the University that were audited by other auditors upon whose reports we are relying on were audited in accordance with *Government Auditing Standards*, except for Georgia Health Sciences Foundation.

An audit involves performing procedures to obtain audit evidence about the amounts and University's 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 entity'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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University as of June 30, 2018, 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 transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2018, 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 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to these matters.

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 Plans, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employers' and Nonemployers' Net Pension Liability, Schedule of Changes in Net Pension Liability, Schedule of Investment Returns, Schedule of Contributions for OPEB Plan, Schedule of Proportionate Share of the Net OPEB Liability and the 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the 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 accompanying supplementary 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 have also issued our report dated January 18, 2019 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. 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.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

AUGUSTA UNIVERSITY

Management's Discussion and Analysis

Introduction

Founded in 1828 and located in Augusta, Richmond County, Georgia, Augusta University (University) is a public research university and medical center dedicated to training the next generation of innovators, leaders, and health care providers. Home to three campuses in Augusta and various satellite locations across Georgia, Augusta University is at the forefront of groundbreaking research focused on improving and enriching the human experience. The University is one of the 26 institutions of higher education of the University System of Georgia.

Offering undergraduate programs in the liberal arts and sciences, business and education, as well as a full range of graduate programs and hands-on clinical research opportunities, Augusta University is Georgia's innovation center for education and health care. The combination of nationally ranked business and nursing schools as well as the state's flagship public medical school and only dental school makes Augusta University a destination of choice for students of today and leaders of tomorrow.

Augusta University's mission is to provide leadership and excellence in teaching, discovery, clinical care, and service as a student-centered comprehensive research university and academic health center with a wide range of programs from learning assistance through postdoctoral studies.

Augusta University offers more than 146 degree programs in ten colleges and schools, including one of the nation's oldest medical schools, the Medical College of Georgia (MCG); the state's sole dental college; the nationally ranked James M. Hull College of Business; the Katherine Reese Pamplin School of Arts, Humanities, and Social Sciences; Education; Science and Mathematics; Allied Health Sciences; Graduate Studies; Nursing; and the School of Computer and Cyber Sciences.

Augusta University's more than 8,800 students come from countries around the globe and nearly all of Georgia's 159 counties. Students are taught by some of the most prestigious scientists, clinicians, artists, and scholars in the nation. Over 1,000 full-time faculty members not only convey vital information, many also conduct extensive research. Augusta University has a strong commitment to medical research, building on a proud tradition that boasts such breakthroughs as fertility treatments and beta-blocking drugs for cardiac arrhythmias. Graduate and undergraduate students have opportunities to conduct and present research, and many participate in faculty-led research.

Research plays an important role in the University's mission of providing leadership and excellence in teaching, discovery, clinical care, and service. Augusta University's clinical and translational research programs focus on three key areas: cancer, cardiometabolic disease, and neurological disease. Augusta University researchers are also developing three emerging areas of research strength: regenerative and reparative medicine, personalized medicine and genomics, and public and preventive health.

Augusta University's state-of-the-art research facilities help embody the vision of being a top-tier university that is a destination for education, health care, discovery, creativity, and innovation. The University has developed strong regional partnerships with the Charlie Norwood Veterans Affairs Medical Center, the Augusta Warrior Project, the Savannah River National Laboratory, and the Dwight D. Eisenhower Army Medical Center. This structure and partnership combined with Augusta University's collaborative environment and outstanding clinical resources place Augusta University at the leading edge of new scientific advancements targeting diseases that directly impact its patients.

Augusta University fields teams in NCAA Division I men's and women's golf, and the men's team claimed back-to-back national championships in 2010 and 2011. In 11 other sports, the Jaguars compete in the Peach Belt Conference in Division II in basketball (AU men's basketball has had 9 NCAA Tournament appearances and 3 Elite Eights), baseball, cross country, softball, volleyball, tennis, and outdoor track and field.

Augusta University is committed to creating and sharing new knowledge as a university and to growing national and international stature in education, research, and health care.

The University continues to grow as shown by the comparison numbers that follow.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2018	8,824	8,153
FY 2017	8,532	7,931
FY 2016	8,333	7,749

Overview of the Financial Statements and Financial Analysis

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

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2018 and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 University and how much the University owes vendors. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University.

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

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

Statement of Net Position for the Years Ended June 30, 2018 and June 30, 2017, Condensed

CONDENSED STATEMENT OF NET POSITION	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 132,428,478	\$ 107,353,853	\$ 25,074,625	23.36 %
Capital Assets, Net	537,217,308	526,986,011	10,231,297	1.94 %
Other Assets	92,358,103	87,686,377	4,671,726	5.33 %
TOTAL ASSETS	762,003,889	722,026,241	39,977,648	5.54 %
DEFERRED OUTFLOWS	92,008,272	94,788,212	(2,779,940)	(2.93)%
LIABILITIES				
Current Liabilities	102,415,112	96,602,397	5,812,715	6.02 %
Non-Current Liabilities	930,526,767	475,435,433	455,091,334	95.72 %
TOTAL LIABILITIES	1,032,941,879	572,037,830	460,904,049	80.57 %
DEFERRED INFLOWS	54,136,573	14,044,713	40,091,860	285.46 %
NET POSITION				
Net Investment in Capital Assets	485,453,028	472,466,154	12,986,874	2.75 %
Restricted, Non-Expendable	2,558,310	2,408,636	149,674	6.21 %
Restricted, Expendable	33,662,268	43,789,490	(10,127,222)	(23.13)%
Unrestricted (Deficit)	(754,739,897)	(287,932,370)	(466,807,527)	162.12 %
TOTAL NET POSITION	\$ (233,066,291)	\$ 230,731,910	\$ (463,798,201)	(201.01)%

The June 30, 2017 amounts do not reflect the effects of the restatement of July 1, 2017 net position related to the implementation of GASB 75. See Note 1 in the Notes to the Financial Statements for more information.

Total assets increased \$39,977,648 which was due to an increase in current assets of \$25,074,625, an increase in net capital assets of \$10,231,297, and an increase in other assets of \$4,671,726. There was an overall increase in total cash and investments, however, externally restricted cash and cash equivalents are shown separately in fiscal year 2018. Unrestricted cash and investments show a slight decrease, but this decrease was minimal and a reflection of the prudent spending practiced by the University. Accounts receivables decreased overall with the largest decrease in student tuition and fees which was the result of strategic initiatives to lower receivables. However, there was an increase in receivables from component units. This increase was due to the fact Augusta University Medical Center is required to pay an annual performance-based service fee (margin allocation) to support delivery of services described in the Master Affiliation Agreement and provide the many resources needed to continue its operation. The service fee is based on the percentage of Augusta University Medical Center's net income to operating revenue and for fiscal year 2018 is \$6,638,215. No service fee was received in fiscal year 2017.

Total deferred outflows of resources decreased by \$(2,779,940) which was primarily due to the University's change in proportionate share of the actuarially determined deferred loss on defined benefit pension plans administered by Teachers Retirement System of Georgia and the Early Retirement Plan.

Total liabilities increased \$460,904,049 which was due to an increase in current liabilities of \$5,812,715 and an increase in non-current liabilities of \$455,091,334. Accounts payable increased \$4,264,562, which was largely attributable to amounts due at the end of the fiscal year for fall tuition and timing of payment of payroll withholdings. Compensated absences increased \$215,482 which was related to a combination of an increase in salaries and an increase in unused vacation leave. The largest increase was due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which increased liability by \$500,127,185.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of \$(463,798,201). This change in net position is primarily in the category of Unrestricted Net Position and is a result of the implementation of the new reporting for Other Postemployment Benefits as discussed above.

Total deferred inflows of resources increased by \$40,091,860 which was primarily due to the University's change in proportionate share of the actuarially determined deferred gain on defined benefit pension plans administered by Employees' Retirement System of Georgia, the Early Retirement Plan, and the new reporting for Other Postemployment Benefits in fiscal year 2018.

Statement of Revenues, Expenses, and Changes in Net Position

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

Statement of Revenue, Expenses, and Changes in Net position for the Years Ended June 30, 2018 and June 30, 2017, Condensed

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Operating Revenue	\$ 626,050,169	\$ 633,399,791	\$ (7,349,622)	(1.16)%
Operating Expense	885,817,683	842,163,769	43,653,914	5.18 %
Operating Income/Loss	(259,767,514)	(208,763,978)	(51,003,536)	24.43 %
Non-Operating Revenue and Expense	256,953,194	224,229,670	32,723,524	14.59 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(2,814,320)	15,465,692	(18,280,012)	(118.20)%
Other Revenues, Expenses, Gains, Losses and Special Items	31,515,205	3,848,070	27,667,135	718.99 %
Change in Net Position	28,700,885	19,313,762	9,387,123	48.60 %
Net Position at beginning of year, restated	(261,767,176)	211,418,148	(473,185,324)	(223.81)%
Net Position at End of Year	\$ (233,066,291)	\$ 230,731,910	\$ (463,798,201)	(201.01)%

The June 30, 2017 amounts do not reflect the effects of the restatement of July 1, 2017 net position related to the implementation of GASB 75. See Note 1 in the Notes to the Financial Statements for more information.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the decrease in net position, which is largely due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required the restatement of the June 30, 2017, net position. The adoption of GASB Statement No. 75 results in a decrease in unrestricted net position of \$492,499,086. The total decrease in net position for the fiscal year ended June 30, 2018, is \$463,798,201.

Some highlights of the information presented on this statement are as follows.

Revenues

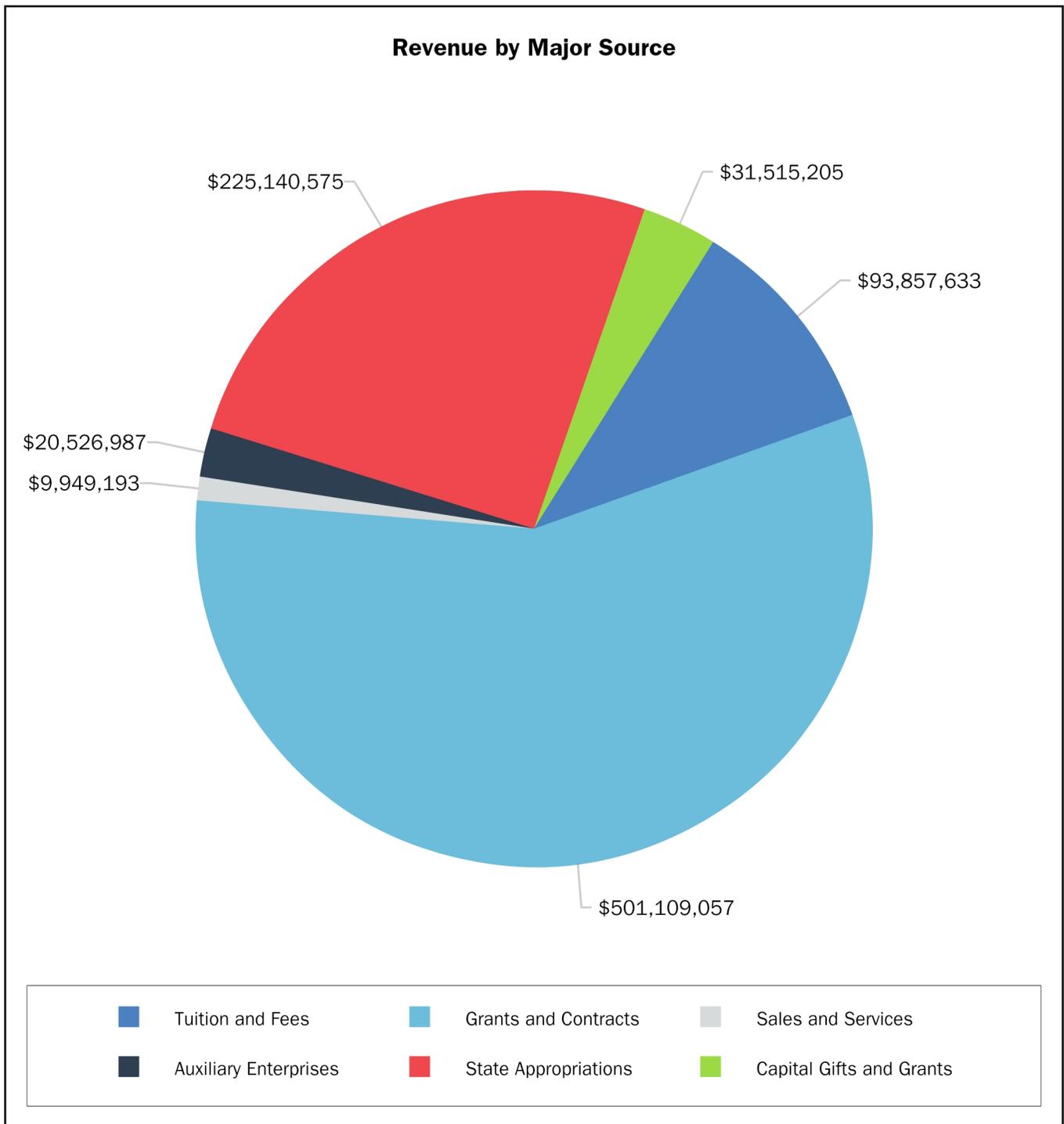
In fiscal year 2018, state appropriations increased \$26,008,052 (13.06%). This increase included a one-time allocation of \$11,582,273 to support the Graduate Medical Education Program as well as a one-time allocation of \$1,000,000 to support the Georgia Cancer Center. Net tuition and fee revenues increased \$5,451,522 (6.17%), which is a direct result of an overall enrollment increase of 3.4% from Fall 2017 to Fall 2018. There was also a modest increase in some of the mandatory fees which when combined with the increase in enrollment resulted in additional net tuition and fees revenues during the fiscal year.

In addition, there was an increase in auxiliary enterprises revenue which included food services, parking, health services, intercollegiate athletics, and other auxiliary organizations. This auxiliary enterprise revenue increase was also a result of the increased enrollment and the increase in certain mandatory fees.

For the years ended June 30, 2018 and June 30, 2017, revenues by source were as follows:

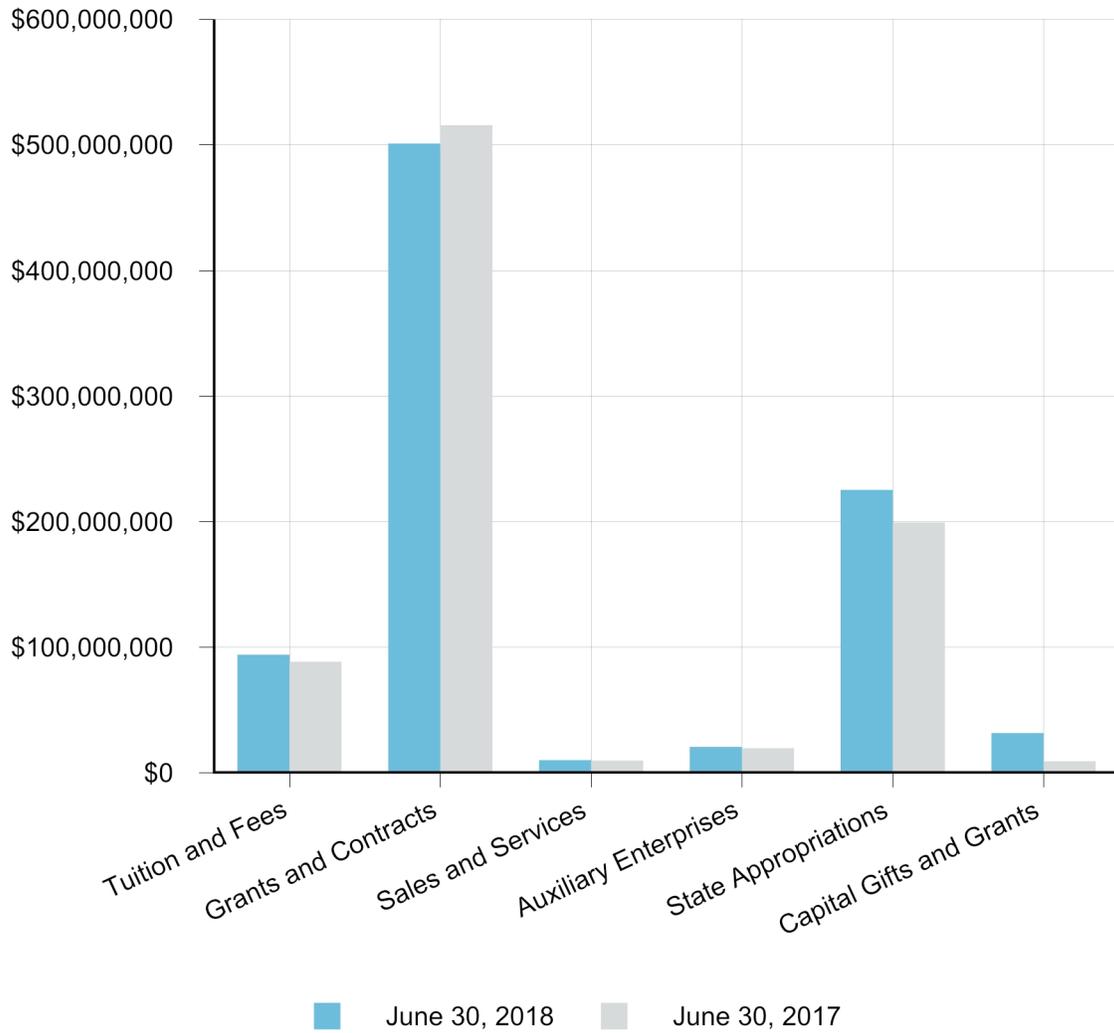
REVENUES BY SOURCE	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 93,857,633	\$ 88,406,111	\$ 5,451,522	6.17 %
Grants and Contracts	501,109,057	515,680,946	(14,571,889)	(2.83)%
Sales and Services	9,949,193	9,401,577	547,616	5.82 %
Auxiliary Enterprises	20,526,987	19,297,461	1,229,526	6.37 %
Other Operating Revenues	607,299	613,696	(6,397)	(1.04)%
Total Operating Revenues	626,050,169	633,399,791	(7,349,622)	(1.16)%
State Appropriations	225,140,575	199,132,523	26,008,052	13.06 %
Grants and Contracts	20,298,835	13,337,028	6,961,807	52.20 %
Gifts	14,605,305	12,274,245	2,331,060	18.99 %
Investment Income	1,973,790	1,970,804	2,986	0.15 %
Other Nonoperating Revenues	(3,049,805)	(440,259)	(2,609,546)	592.73 %
Total Nonoperating Revenues	258,968,700	226,274,341	32,694,359	14.45 %
State Capital Gifts and Grants	31,495,205	8,837,521	22,657,684	256.38 %
Other Capital Gifts and Grants	20,000	276,500	(256,500)	(92.77)%
Total Capital Gifts and Grants	31,515,205	9,114,021	22,401,184	245.79 %
Special Items	0	(5,265,951)	5,265,951	(100.00)%
Total Revenues	\$ 916,534,074	\$ 863,522,202	\$ 53,011,872	6.14 %

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



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

Revenue by Major Source



Expenses

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

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2018	June 30, 2017	Increase/ (Decrease)	% Change
Instruction	\$ 174,393,558	\$ 160,289,518	\$ 14,104,040	8.80 %
Research	48,458,032	47,073,943	1,384,089	2.94 %
Public Service	43,977,459	43,686,981	290,478	0.66 %
Academic Support	62,392,704	57,701,780	4,690,924	8.13 %
Student Services	7,120,737	8,190,813	(1,070,076)	(13.06)%
Institutional Support	89,464,363	90,963,143	(1,498,780)	(1.65)%
Plant Operations and Maintenance	42,813,606	50,437,124	(7,623,518)	(15.11)%
Scholarships and Fellowships	7,811,404	7,677,181	134,223	1.75 %
Auxiliary Enterprises	17,714,093	17,482,914	231,179	1.32 %
Patient Care	391,671,727	358,660,372	33,011,355	9.20 %
Total Operating Expenses	885,817,683	842,163,769	43,653,914	5.18 %
Interest Expense	2,015,506	2,044,671	(29,165)	(1.43)%
Total Nonoperating Expenses	2,015,506	2,044,671	(29,165)	(1.43)%
Total Expenses	\$ 887,833,189	\$ 844,208,440	\$ 43,624,749	5.17 %

Total operating expenses were \$885,817,683 in fiscal year 2018, an increase of \$43,653,914 (5.18%) when compared with fiscal year 2017. These increases are primarily attributable to the following functional classifications: Instruction (\$14.1 million); Research (\$1.4 million); Academic Support (\$4.7 million); and Patient Care (\$33.0 million). The functional classifications with the highest percentage of increase include Instruction (8.80%), Academic Support (8.13%), and Patient Care (9.20%).

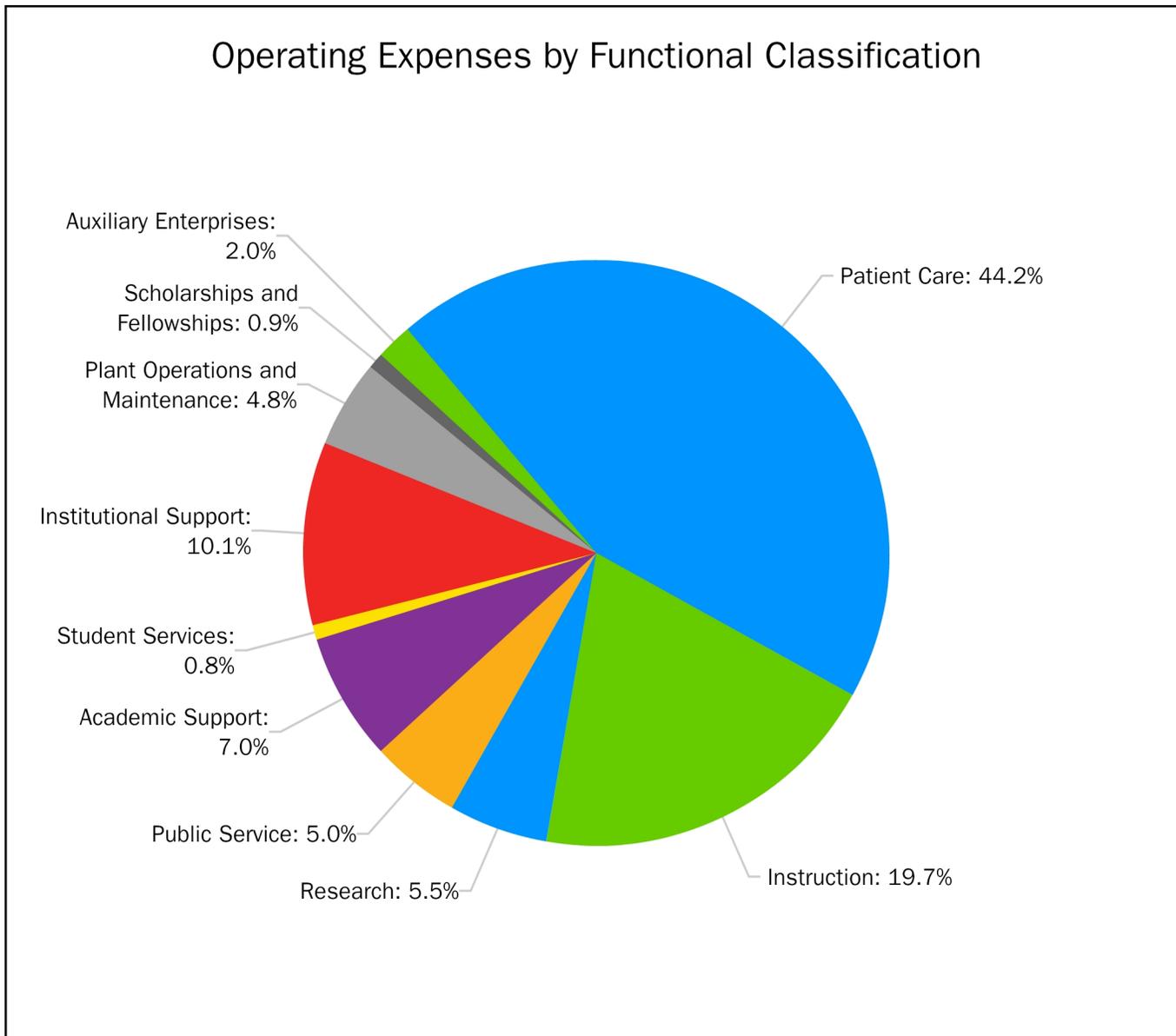
As seen in the chart above, total expenses increased \$43,624,749 (5.17%) in fiscal year 2018 when compared with fiscal year 2017. The increases were substantially attributable to increases in salaries and benefits (\$42.2 million or 7.51%) and utilities (\$1.4 million or 13.30%).

The increases in salaries and benefits are attributable to increases in pension expenses, insurance, and faculty and staff increases and were more significant in the categories of instruction, institutional support, and patient care being 6.25%, 6.47% and 11.99% respectively.

The increase in utilities was related to all types of utilities with the most significant increase being natural gas and telephone costs, which were 25.41% and 22.44% respectively. The increase in natural gas usage also caused the increase in fuel oil costs as in order to get a more favorable rate for gas, the University agreed to switch to fuel oil if the provider had to restrict the University's natural gas consumption. The increase in telephone costs was due to an increase in the per-line charge of \$18 and \$21 to \$29 per line beginning in fiscal year 2018.

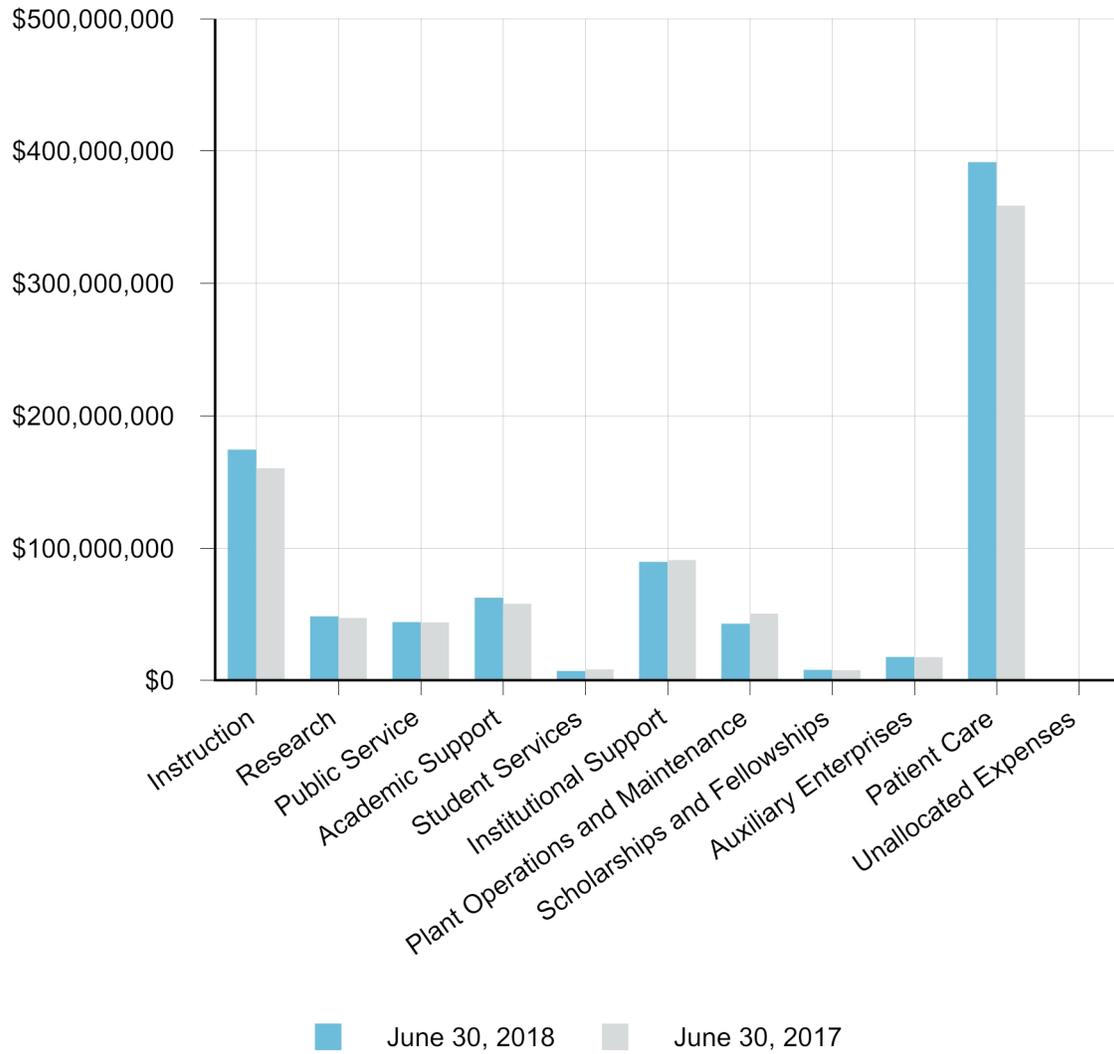
Other personal services reflected an increase in college work study in fiscal year 2018. The remaining expenditure categories were fairly consistent with the prior year amount, or increased only minimally in the current year.

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



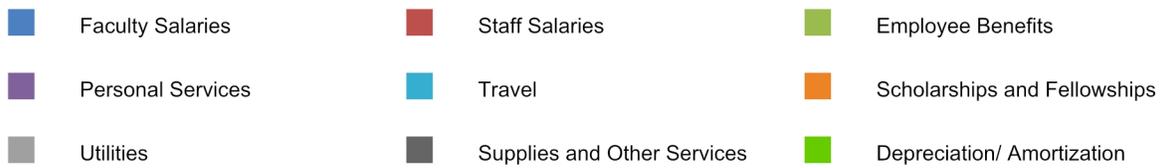
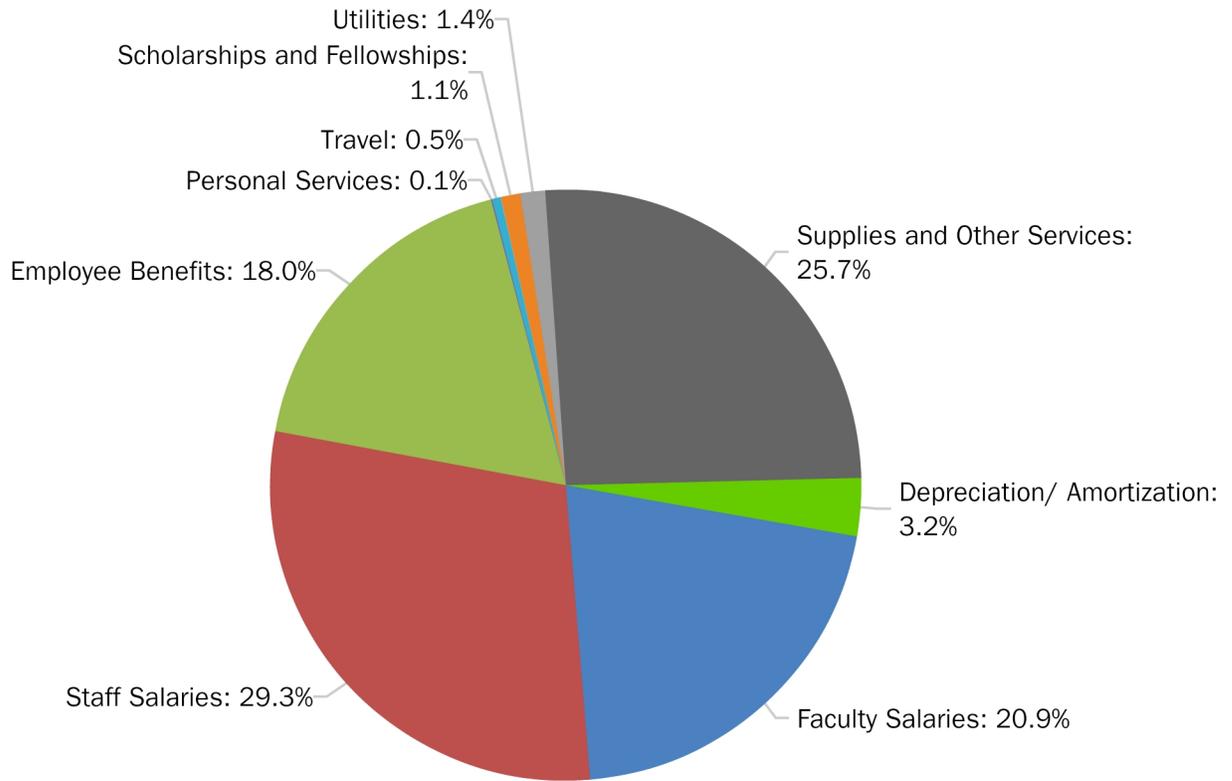
Operating expenses by functional classification for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:

Operating Expenses by Functional Classification



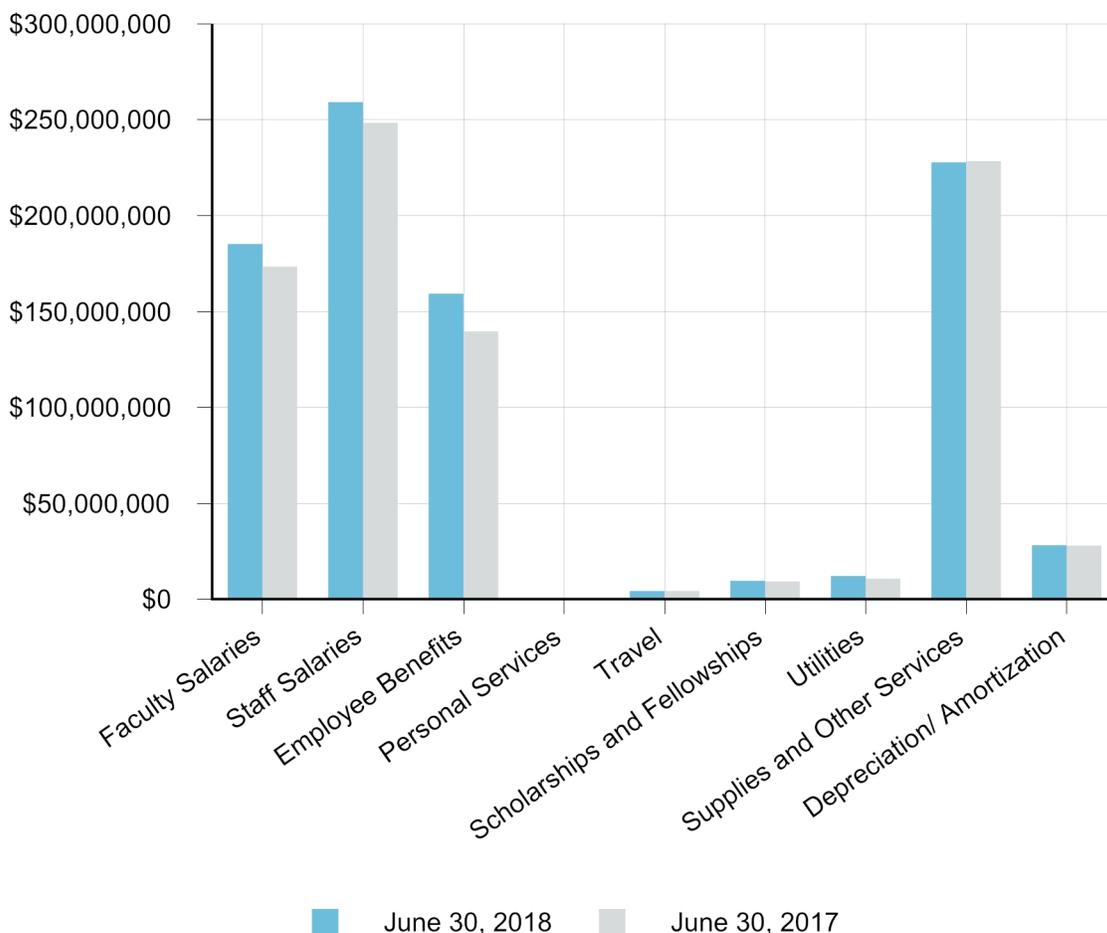
The following chart depicts the fiscal year 2018 operating expenses by natural classification.

Operating Expenses by Natural Classification



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

Operating Expenses by Natural Classification



Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2018 and June 30, 2017, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2018	June 30, 2017
Cash Provided (Used) by:		
Operating Activities	\$ (205,775,400)	\$ (204,801,851)
Non-Capital Financing Activities	251,512,759	229,181,689
Capital and Related Financing Activities	(14,573,800)	(21,388,416)
Investing Activities	(3,111,463)	(7,825,066)
NET CHANGE IN CASH	28,052,096	(4,833,644)
Cash, beginning of year (restated)	13,058,900	17,892,544
CASH, end of year	\$ 41,110,996	\$ 13,058,900

Capital Assets

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

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2018	June 30, 2017	Increase (Decrease)	% Change
Land	\$ 23,214,737	\$ 23,214,736	\$ 1	0.00 %
Capitalized Collections	87,006	87,006		0.00 %
Construction Work-in-Progress	12,823,779	18,425,893	(5,602,114)	(30.40)%
Infrastructure	5,180,379	4,641,544	538,835	11.61 %
Building and Building Improvements	447,338,615	435,497,293	11,841,322	2.72 %
Facilities and Other Improvements	15,363,745	11,552,203	3,811,542	32.99 %
Equipment	27,290,148	27,136,328	153,820	0.57 %
Library Collections	5,918,899	6,431,008	(512,109)	(7.96)%
Capital Assets, net of accumulated depreciation	\$ 537,217,308	\$ 526,986,011	\$ 10,231,297	1.94 %

University managed capital projects for building and building improvements, site development, and equipment in fiscal year 2018 totaled \$6,308,214, including the Campus Wayfinding and Signage project and the Riverfront Property Site Development project. In addition, building and building improvements, equipment, and research and development infrastructure totaling \$31,943,769 were funded by Georgia State Financing and Investment Commission (GSFIC) and included \$5,000 prepaid by the University to complete the Ambulatory Surgery Center in the College of Dental Medicine.

Included in the Georgia State Financing and Investment Commission funded total were two GSFIC-managed projects which were substantially completed and transferred to the University during the fiscal year. The most significant of these projects was the Roosevelt Warm Springs Health Facility Improvements at a cost of \$25,675,861. Also completed was the Wrightsboro Road Site Expansion project at a cost of \$821,009.

Other on-going projects funded by GSFIC included capital expenditures of \$898,889 in fiscal year 2018. Projected funding by GSFIC for fiscal year 2019 will be approximately the same as in previous years.

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

Long-Term Liabilities

Augusta University had Long-Term Liabilities of \$956,005,986 of which \$25,479,219 was reflected as current liability at June 30, 2018. Long-Term Liabilities included capital leases, compensated absences, net pension liability, and net other post employment benefits liability.

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

Augusta University continued to manage resources prudently in fiscal year 2018 and remains committed to student affordability and strategic allocation of resources to our core mission of teaching, discovery, clinical care, and service. For the second time since consolidation, the University saw a modest increase in enrollment of 3.4% from Fall 2017 to Fall 2018. Enrollment trends continue to suggest that a modest increase will be recognized during fiscal year 2019 which will result in additional tuition revenue. We anticipate both operating and non-operating revenues and expenses to remain relatively consistent as compared to previous years with no significant fluctuations.

While the University is impacted by general economic conditions, management believes the University will continue its high level of excellence in service to students, sponsors, the State of Georgia, and other constituents. The University's financial position and internal planning processes provide the University some protection against funding reductions and adverse economic conditions.

Dr. Brooks A. Keel, Ph.D., President
Augusta University

Anthony E. Wagner, Executive Vice President
Augusta University



Financial Statements (GAAP Basis)

AUGUSTA UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Augusta University	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 16,212,975	\$ 71,745,540
Cash and Cash Equivalents (Externally Restricted)	24,898,021	7,449,964
Short-term Investments	—	50,292,688
Short-term Investments (Externally Restricted)	—	3,671,699
Accounts Receivable, net		
Federal Financial Assistance	7,418,397	4,154,994
Affiliated Organizations	679,661	582,274
Component Units	40,475,906	163,152
Primary Government	—	4,628,432
Pledges and Contributions	—	4,112,427
Other	24,991,740	150,004,193
Investment in Capital Leases - Primary Government	—	2,306,377
Inventories	723,742	19,105,346
Prepaid Items	17,028,036	17,452,298
Total Current Assets	132,428,478	335,669,384
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	197,730	—
Pledges and Contributions	—	1,236,648
Other	—	14,982,837
Investments	76,949,626	243,908,712
Notes Receivable, net	2,273,398	—
Investment in Capital Leases - Primary Government	—	46,495,025
Other Assets	—	6,532,491
Investments (Externally Restricted)	12,937,349	152,189,036
Capital Assets, net	537,217,308	268,403,609
Total Non-Current Assets	629,575,411	733,748,358
TOTAL ASSETS	762,003,889	1,069,417,742
DEFERRED OUTFLOWS OF RESOURCES	\$ 92,008,272	\$ —

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

**AUGUSTA UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Augusta University	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 11,398,329	\$ 42,628,467
Salaries Payable	3,137,247	11,655,786
Benefits Payable	6,681,522	—
Contracts Payable	1,122,718	—
Retainage Payable	379,363	—
Due to Affiliated Organizations	1,620,181	446,183
Due to Component Units	4,628,432	163,152
Due to Primary Government	—	40,475,906
Advances (Including Tuition and Fees)	45,287,085	576,448
Deposits Held for Other Organizations	2,681,016	—
Other Liabilities	—	7,935,042
Notes and Loans Payable	—	8,254,167
Lease Purchase Obligations - External	1,471,790	5,469,281
Lease Purchase Obligations - Component Units	2,306,377	—
Revenue Bonds and Notes Payable	—	3,905,000
Liabilities Under Split Interest Agreements	—	90,485
Compensated Absences	21,701,052	19,392,373
Total Current Liabilities	102,415,112	140,992,290
Non-Current Liabilities		
Other Liabilities	—	16,348,297
Notes and Loans Payable	—	60,595,833
Lease Purchase Obligations - External	1,947,885	17,777,061
Lease Purchase Obligations - Component Units	46,495,025	—
Revenue Bonds and Notes Payable	—	152,221,883
Liabilities Under Split Interest Agreements	—	1,056,863
Interest Rate Swap	—	14,818,596
Compensated Absences	17,496,656	—
Net Other Post-employment Benefits Liability	500,127,185	6,165,679
Net Pension Liability	364,460,016	—
Total Non-Current Liabilities	930,526,767	268,984,212
TOTAL LIABILITIES	1,032,941,879	409,976,502
DEFERRED INFLOWS OF RESOURCES	54,136,573	—
NET POSITION		
Net Investment in Capital Assets	485,453,028	95,027,267
Restricted for:		
Nonexpendable	2,558,310	151,603,889
Expendable	33,662,268	116,877,436
Unrestricted (Deficit)	(754,739,897)	295,932,648
TOTAL NET POSITION	\$ (233,066,291)	\$ 659,441,240

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

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

	Augusta University	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 93,857,633	\$ —
Grants and Contracts		
Federal	56,886,393	55,251,659
State	249,251,459	—
Other	194,971,205	11,978,885
Sales and Services	9,949,193	818,972,282
Rents and Royalties	351,580	1,578,802
Auxiliary Enterprises		
Residence Halls	3,885,170	—
Bookstore	1,571,511	—
Food Services	1,747,076	2,051,622
Parking/Transportation	3,224,433	—
Health Services	2,624,941	—
Intercollegiate Athletics	3,152,835	—
Other Organizations	4,321,021	—
Gifts and Contributions	—	6,721,313
Endowment Income	—	912,577
Other Operating Revenues	255,719	4,616,266
Total Operating Revenues	626,050,169	902,083,406
OPERATING EXPENSES		
Faculty Salaries	185,168,284	—
Staff Salaries	259,122,629	278,915,823
Employee Benefits	159,263,285	34,257,958
Other Personal Services	529,034	145,013,569
Travel	4,289,898	2,998,121
Scholarships and Fellowships	9,498,208	4,847,545
Utilities	11,999,032	4,427,680
Supplies and Other Services	227,836,534	385,660,256
Depreciation	28,110,779	36,238,771
Total Operating Expenses	885,817,683	892,359,723
Operating Income (Loss)	\$ (259,767,514)	\$ 9,723,683

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

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

	Augusta University	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 225,140,575	\$ 29,932,138
Grants and Contracts		
Federal	10,160,620	3,083,581
State	—	3,227,028
Other	10,138,215	—
Gifts	14,605,305	—
Investment Income	1,973,790	33,225,036
Interest Expense	(2,015,506)	(9,401,563)
Other Nonoperating Revenues (Expenses)	(3,049,805)	(7,404,760)
Net Nonoperating Revenues	256,953,194	52,661,460
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,814,320)	62,385,143
Capital Grants and Gifts		
State	31,495,205	—
Other	20,000	(185,163)
Additions to Permanent and Term Endowments	—	2,610,254
Total Other Revenues, Expenses, Gains or Losses	31,515,205	2,425,091
Change in Net Position	28,700,885	64,810,234
Net Position, Beginning of Year, As Originally Reported	230,731,910	628,244,114
Prior Year Adjustments	(492,499,086)	(33,613,108)
Net Position, Beginning of Year, Restated	(261,767,176)	594,631,006
Net Position, End of Year	\$ (233,066,291)	\$ 659,441,240

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

**AUGUSTA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Augusta University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 122,703,269
Grants and Contracts (Exchange)	514,972,195
Payments to Suppliers	(390,311,164)
Payments to Employees	(444,055,019)
Payments for Scholarships and Fellowships	(9,498,208)
Loans Issued to Students	(345,078)
Collection of Loans from Students	758,605
Net Cash Used by Operating Activities	<u>(205,775,400)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	225,140,575
Agency Funds Transactions - Receipts	153,337,258
Agency Funds Transactions - Disbursements	(155,230,999)
Gifts and Grants Received for Other Than Capital Purposes	28,265,925
Net Cash Flows Provided by Non-Capital Financing Activities	<u>251,512,759</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	4,998,335
Proceeds from Sale of Capital Assets	48,753
Purchases of Capital Assets	(14,052,579)
Principal Paid on Capital Debt and Leases	(3,670,912)
Interest Paid on Capital Debt and Leases	(1,897,397)
Net Cash Used by Capital and Related Financing Activities	<u>(14,573,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,021,011
Investment Income	2,388,426
Purchase of Investments	(6,520,900)
Net Cash Used by Investing Activities	<u>(3,111,463)</u>
Net Increase in Cash and Cash Equivalents	28,052,096
Cash and Cash Equivalents, Beginning of Year	<u>13,058,900</u>
Cash and Cash Equivalents, End of Year	<u>\$ 41,110,996</u>

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

**AUGUSTA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Augusta University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (259,767,514)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	28,110,779
Change in Assets and Liabilities:	
Receivables, net	15,197,866
Inventories	119,916
Prepaid Items	(3,888,190)
Notes Receivable, Net	413,527
Accounts Payable	3,879,998
Salaries Payable	20,412
Benefits Payable	4,290,255
Contracts Payable	(479,911)
Advances (Including Tuition and Fees)	(3,572,571)
Compensated Absences	215,482
Due to Affiliated Organizations	633,085
Net Pension Liability	(41,448,433)
Other Post-Employment Benefit Liability	(4,174,710)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	40,091,860
Deferred Outflows of Resources	14,582,749
Net Cash Used by Operating Activities	<u>\$ (205,775,400)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Non-Capital Financing Activities Accounts Receivable, Net of Allowances	\$ 6,638,215
Gift of Capital Assets	\$ 26,516,870
Loss on Disposal of Capital Assets	\$ 3,063,612
Accrual of Capital Asset Related Payables	\$ 1,385,872
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 365,788
Amortization of Deferred Gain/Loss of Capital Debt Refunded	\$ 118,109
Unrealized Gain/Loss on Investments	\$ 414,636

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

**AUGUSTA UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Early Retirement Plan - Augusta University
	<u>University</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,865,193
Investments	
Mutual Bond Funds	13,079,318
Equity Mutual Funds - Domestic	48,759,325
Equity Securities - Domestic	<u>32,318,283</u>
 Total Assets	 <u><u>99,022,119</u></u>
NET POSITION	
Held in Trust for:	
Pension Benefits	<u><u>\$ 99,022,119</u></u>

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

**AUGUSTA UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Early Retirement Plan - Augusta University
	<u>University</u>
ADDITIONS	
Contributions	
Employer	\$ 13,084,672
Investment Income	
Dividends and Interest	1,814,737
Net Appreciation in Investments	
Reported at Fair Value	7,666,447
Less: Investment Expense	<u>(166,966)</u>
Total Additions	<u>22,398,890</u>
DEDUCTIONS	
Benefits	<u>13,784,836</u>
Change in Net Position Held in Trust for Pension and Other Employee Benefits	8,614,054
Net Position, Beginning of Year	<u>90,408,065</u>
Net Position, End of Year	<u><u>\$ 99,022,119</u></u>

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

**AUGUSTA UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Total
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 62,015,768	\$ 3,599,289	\$ 4,381,937	\$ 323,160	\$ 1,425,386	\$ 71,745,540
Cash and Cash Equivalents (Externally Restricted)	4,196,045	3,253,919		—	—	7,449,964
Short-term Investments	37,961,738	1,482,318		10,848,632	—	50,292,688
Short-term Investments (Externally Restricted)	3,671,699	—		—	—	3,671,699
Accounts Receivable, net						
Federal Financial Assistance		—	4,154,994	—	—	4,154,994
Affiliated Organizations	138,785	443,489		—	—	582,274
Component Units		—		163,152	—	163,152
Primary Government	4,620,932	—	7,500	—	—	4,628,432
Pledges and Contributions		156,166		3,358,852	597,409	4,112,427
Other	149,885,409	52,991		65,793	—	150,004,193
Investment in Capital Leases - Primary Government	1,186,728	1,119,649		—	—	2,306,377
Inventories	19,105,346	—		—	—	19,105,346
Prepaid Items	17,410,195	—		42,103	—	17,452,298
Total Current Assets	300,192,645	10,107,821	8,544,431	14,801,692	2,022,795	335,669,384
Non-Current Assets						
Accounts Receivable, net						
Pledges and Contributions		166,876		137,670	932,102	1,236,648
Other	14,966,249	—		—	16,588	14,982,837
Investments	108,259,000	8,065,133	4,198,751	2,491,483	120,894,345	243,908,712
Investment in Capital Leases - Primary Government	22,519,524	23,975,501		—	—	46,495,025
Other Assets	5,518,129	749,766		—	264,596	6,532,491
Investments (Externally Restricted)		20,046,067		2,513,812	129,629,157	152,189,036
Capital Assets, net	256,138,375	—		2,330,775	9,934,459	268,403,609
Total Non-Current Assets	407,401,277	53,003,343	4,198,751	7,473,740	261,671,247	733,748,358
TOTAL ASSETS	\$ 707,593,922	\$ 63,111,164	\$ 12,743,182	\$ 22,275,432	\$ 263,694,042	\$ 1,069,417,742

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

**AUGUSTA UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Total
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 42,051,559	\$ 467,473	\$ 37,255	\$ 72,180	\$ —	\$ 42,628,467
Salaries Payable	11,655,786	—	—	—	—	11,655,786
Due to Affiliated Organizations	—	428,576	—	17,607	—	446,183
Due to Component Units	163,152	—	—	—	—	163,152
Due to Primary Government	35,692,611	178,289	4,161,470	339,033	104,503	40,475,906
Advances (Including Tuition and Fees)	—	49,561	—	526,887	—	576,448
Other Liabilities	7,850,066	—	18,536	—	66,440	7,935,042
Notes and Loans Payable	3,254,167	—	—	—	5,000,000	8,254,167
Lease Purchase Obligations - External	5,469,281	—	—	—	—	5,469,281
Revenue Bonds and Notes Payable	2,945,000	960,000	—	—	—	3,905,000
Liabilities Under Split Interest Agreements	—	—	—	90,485	—	90,485
Compensated Absences	19,392,373	—	—	—	—	19,392,373
Total Current Liabilities	128,473,995	2,083,899	4,217,261	1,046,192	5,170,943	140,992,290
Non-Current Liabilities						
Other Liabilities	16,348,297	—	—	—	—	16,348,297
Notes and Loans Payable	60,595,833	—	—	—	—	60,595,833
Lease Purchase Obligations - External	17,777,061	—	—	—	—	17,777,061
Revenue Bonds and Notes Payable	129,102,958	23,118,925	—	—	—	152,221,883
Liabilities Under Split Interest Agreements	—	—	—	187,097	869,766	1,056,863
Interest Rate Swap	14,818,596	—	—	—	—	14,818,596
Net Other Post Employment Benefits Liability	6,165,679	—	—	—	—	6,165,679
Total Non-Current Liabilities	244,808,424	23,118,925	—	187,097	869,766	268,984,212
TOTAL LIABILITIES	373,282,419	25,202,824	4,217,261	1,233,289	6,040,709	409,976,502
NET POSITION						
Net Investment in Capital Assets	87,762,033	—	—	2,330,775	4,934,459	95,027,267
Restricted for:						
Nonexpendable	—	19,392,067	—	2,582,665	129,629,157	151,603,889
Expendable	—	15,515,865	69,973	13,909,247	87,382,351	116,877,436
Unrestricted (Deficit)	246,549,470	3,000,408	8,455,948	2,219,456	35,707,366	295,932,648
TOTAL NET POSITION	\$ 334,311,503	\$ 37,908,340	\$ 8,525,921	\$ 21,042,143	\$ 257,653,333	\$ 659,441,240

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

**AUGUSTA UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Total
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ 4,659,630	\$ —	\$ 50,592,029	\$ —	\$ —	\$ 55,251,659
Other		43,920	10,156,955	1,778,010	—	11,978,885
Sales and Services	817,829,308	789,046		353,928	—	818,972,282
Rents and Royalties	986,098	174,859	351,258	12,300	54,287	1,578,802
Auxiliary Enterprises						
Food Services	2,051,622	—		—	—	2,051,622
Gifts and Contributions		1,375,772		3,260,426	2,085,115	6,721,313
Endowment Income		912,577		—	—	912,577
Other Operating Revenues		212,272		3,195,286	1,208,708	4,616,266
Total Operating Revenues	825,526,658	3,508,446	61,100,242	8,599,950	3,348,110	902,083,406
OPERATING EXPENSES						
Staff Salaries	278,131,467	—		—	784,356	278,915,823
Employee Benefits	34,129,281	—		—	128,677	34,257,958
Other Personal Services	142,150,598	—		2,862,971	—	145,013,569
Travel	2,775,744	—		189,071	33,306	2,998,121
Scholarships and Fellowships	1,378,740	656,961		1,007,122	1,804,722	4,847,545
Utilities	4,399,194	—		—	28,486	4,427,680
Supplies and Other Services	309,801,866	1,864,933	61,088,356	5,988,505	6,916,596	385,660,256
Depreciation	36,175,226	6,240		—	57,305	36,238,771
Total Operating Expenses	808,942,116	2,528,134	61,088,356	10,047,669	9,753,448	892,359,723
Operating Income (Loss)	\$ 16,584,542	\$ 980,312	\$ 11,886	\$ (1,447,719)	\$ (6,405,338)	\$ 9,723,683

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

**AUGUSTA UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Total
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	\$ 29,932,138	\$ —	\$ —	\$ —	\$ —	\$ 29,932,138
Grants and Contracts						
Federal	3,083,581	—	—	—	—	3,083,581
State	3,227,028	—	—	—	—	3,227,028
Investment Income	11,067,969	1,758,828	68,514	521,623	19,808,102	33,225,036
Interest Expense	(8,513,680)	(879,114)	—	(8,769)	—	(9,401,563)
Other Nonoperating Revenues (Expenses)	(7,033,260)	(353,408)	(18,092)	—	—	(7,404,760)
Net Nonoperating Revenues	31,763,776	526,306	50,422	512,854	19,808,102	52,661,460
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	48,348,318	1,506,618	62,308	(934,865)	13,402,764	62,385,143
Capital Grants and Gifts						
Other	(185,163)	—	—	—	—	(185,163)
Additions to Permanent and Term Endowments		587,066		158,623	1,864,565	2,610,254
Total Other Revenues, Expenses, Gains or Losses	(185,163)	587,066	—	158,623	1,864,565	2,425,091
Change in Net Position	48,163,155	2,093,684	62,308	(776,242)	15,267,329	64,810,234
Net Position, Beginning of Year, As Originally Reported	319,761,456	35,814,656	8,463,613	21,818,385	242,386,004	628,244,114
Prior Year Adjustments	(33,613,108)	—	—	—	—	(33,613,108)
Net Position, Beginning of Year, Restated	286,148,348	35,814,656	8,463,613	21,818,385	242,386,004	594,631,006
Net Position, End of Year	\$ 334,311,503	\$ 37,908,340	\$ 8,525,921	\$ 21,042,143	\$ 257,653,333	\$ 659,441,240

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



Notes to the Financial Statements

AUGUSTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, 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, 2018, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

- Augusta University Foundation, Inc. 1120 15th Street, FI-1049, Augusta, GA, 30912
- Augusta University Research Institute, Inc. 1120 15th Street, AA 311, Richmond, Augusta, GA, 30912
- AU Health Systems, Inc. 1120 15th Street. FY139, Augusta, GA 30912

- Georgia Health Sciences Foundation, Inc., 1120 15th Street, Augusta, Georgia 30912
- Medical College of Georgia Foundation, 545 15th Street, Augusta, GA 30901

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

The University's business-type activities and fiduciary fund 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.

The University reports the following Fiduciary Fund:

Pension Trust Fund -- Accounts for the activities of the Early Retirement Plan.

New Accounting Pronouncements

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Diversified Fund is included as investments. Investments restricted as to use by a third party are reported as externally restricted.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position.

Accounts Receivable

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

Inventories

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

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

Capital Assets

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

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

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

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The \$197,730 balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the University's contribution to the Fund.

Deferred Outflows of Resources

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

Advances

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

Deposits Held for Other Organizations

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

Compensated Absences

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

Non-current Liabilities

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

Deferred Inflows of Resources

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

Other Post-Employment Benefits (OPEB)

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

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

Pensions and Net Pension Liability

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. Information about the Early Retirement Plan is based on the information provided by the plan actuary. 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.

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Income Taxes

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

Classification of Revenues and Expenses

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

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state, and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees, and other student charges reported on the Statement of Revenues, Expenses, and Changes in Net Position are net of discounts and allowances of \$16,587,800.

Restatement of Prior Year Net Position

The University made the following restatements:

	Business-type Activities	Discretely Presented Component Units
Net position, beginning of year, as originally reported	\$ 230,731,910	\$ 628,244,114
Changes in financial reporting entity	—	(442,108)
Changes in accounting principles	(492,499,086)	(33,171,000)
Net position, beginning of year, restated	<u>\$ (261,767,176)</u>	<u>\$ 594,631,006</u>

Changes in Financial Reporting Entity

During the year ended June 30, 2018, the Health System, AUMC, RWSH, and AUMA completed a series of corporate and governance changes (the Reorganization) to better align the entities within the Health System and allow for efficient and integrated funds flow and accounting. As a result of the Reorganization, AUMA became a blended component unit of the Health System. Prior to the Reorganization, AUMA was a component unit of the University and AUMA's financial position and operating results were not included in the Health System financial statements. In addition, as a result of the Reorganization, AUMC and RWSH became blended component units of the Health System. Prior to the Reorganization, AUMC and RWSH were discretely presented component units within the Health System's financial statements. As part of the Reorganization, MCGH/PPG Reproductive Lab, LLC became a part of the integrated health system. This was not included in the Health System statements in the prior year as it was a joint venture between AUMC and AUMA and as such had a separate set of financial statements. The Health System has restated its financial statements for this change in reporting entity in the amount of \$442,108.

Changes in accounting principles

For fiscal year 2018, the University made a prior period adjustment due to the adoption of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires the restatement of the June 30, 2017, net position. The result is a decrease in Net Position at July 1, 2017 of \$492,499,086 of which \$504,301,895 is represented in Net Pension Liability and \$11,802,809 is represented in deferred outflow. This change is made in accordance with generally accepted accounting principles.

For fiscal year 2018, the Augusta University Health System adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires the restatement of the June 30, 2017, net position. Since the Health System determined that it was not practical to restate the year ended June 30, 2017 for the effect of GASB Statement 75, the Health System recorded a \$33,171,000 reduction to net position at June 30, 2017.

Note 2 Deposits and Investments

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

Cash and Cash Equivalents	\$	21,078,168
Cash and Cash Equivalents (Externally Restricted)		24,898,021
Investments		94,156,926
Non Current - Investments		76,949,626
Noncurrent Investments (Externally Restricted)		12,937,349
	<u>\$</u>	<u>230,020,090</u>

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

Cash on Hand	\$	75,256
Deposits with Financial Institutions		40,084,969
Investments		189,859,865
	\$	<u>230,020,090</u>

A. Deposits with Financial Institutions

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

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

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

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

At June 30, 2018, the bank balances of the University's deposits totaled \$54,045,126. Of these deposits, none were exposed to custodial credit risk.

B. Investments

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

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

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

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

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

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

	Fair Value	Fair Value Hierarchy	
		Level 1	Level 2
Investment type:			
Debt Securities			
U.S. Treasuries	\$ 3,980,658	\$ 3,980,658	\$ —
U.S. Agencies			
Explicitly Guaranteed	22,480,006	—	22,480,006
Implicitly Guaranteed	34,360,318	2,735,392	31,624,926
Corporate Debt	20,351,725	—	20,351,725
Money Market Mutual Funds	3,045,577	3,045,577	—
Mutual Bond Funds	13,079,318	13,079,318	—
Other Investments			
Equity Mutual Funds - Domestic	48,759,325	48,759,325	—
Equity Securities - Domestic	32,318,283	32,318,283	—
	178,375,210	\$ 103,918,553	\$ 74,456,657
Investment Pools			
Board of Regents			
Diversified Fund	11,484,655		
Total Investments	\$ 189,859,865		

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

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Board of Regents Pooled Investment Program

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

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent

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

The University's endowment funds are invested in the Diversified Fund which is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income, and global fixed income.

The equity allocation shall range between 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 25% and 50%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Diversified Fund at June 30, 2018 was \$11,484,655, of which 28% is invested in debt securities. The Effective Duration of the Fund is 5.86 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk attempts to match investments with expected cash requirements. The University recognizes that short-term loss of principal may be necessary in order to achieve long-term safety and growth of principal; and that in order to maximize income from debt instruments, market values may be exposed to short-term volatility.

The University's investments as of June 30, 2018 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	\$ 3,980,658	\$ 34,995	\$ —	\$ 3,945,663	\$ —	\$ —
U.S. Agencies						
Explicitly Guaranteed	22,480,006	17,805,689	1,881,900	2,792,417	—	—
Implicitly Guaranteed	34,360,318	23,925,083	3,176,326	7,258,909	—	—
Corporate Debt	20,351,725	1,404,958	7,957,282	10,989,485	—	—
Money Market Mutual Funds	3,045,577	3,045,577	—	—	—	—
Mutual Bond Funds	13,079,318	—	—	—	4,981,610	8,097,708
	97,297,602	\$ 46,216,302	\$ 13,015,508	\$ 24,986,474	\$ 4,981,610	\$ 8,097,708
Other Investments						
Equity Mutual Funds - Domestic	48,759,325					
Equity Securities - Domestic	32,318,283					
Investment Pools						
Board of Regents						
Diversified Fund	11,484,655					
Total Investments	\$ 189,859,865					

Custodial Credit Risk

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

a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve. The University chooses to bank with one of the State's primary banks with operations in Augusta.

At June 30, 2018, \$97,297,602 of the University's applicable investments were uninsured and held by the investment's counterparty's trust department or agent, in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk is to establish minimal quality ratings.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	A	Unrated
Related Debt Investments				
U. S. Agency Securities	\$ 34,360,318	\$ 34,360,318	\$ —	\$ —
Corporate Debt	20,351,725	—	20,351,725	—
Money Market Mutual Funds	3,045,577	—	—	3,045,577
Mutual Bond Funds	13,079,318	—	—	13,079,318
	<u>\$ 70,836,938</u>	<u>\$ 34,360,318</u>	<u>\$ 20,351,725</u>	<u>\$ 16,124,895</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy requires diversification of investments to reduce overall portfolio risk while maintaining market rates of return.

At June 30, 2018, approximately 9.27%, 7.08%, and 20.73% of the University's investments were investments in Government National Mortgage Association, Federal National Mortgage Association Pool, and Vanguard Institutional Index Fund, respectively.

Note 3 Accounts Receivable

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

	Business Type Activities
Student Tuition and Fees	\$ 1,864,702
Auxiliary Enterprises and Other Operating Activities	1,781,008
Federal Financial Assistance	7,418,397
Georgia State Financing and Investment Commission	769,238
Due from Affiliated Organizations	679,661
Due from Component Units	40,475,906
Due From Other USG Institutions	208,730
Other	21,182,986
	<u>74,380,628</u>
Less: Allowance for Doubtful Accounts	617,194
Net Accounts Receivable	<u>\$ 73,763,434</u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

Consumable Supplies	\$	97,562
Merchandise for Resale		626,180
		<hr/>
Total	\$	<u>723,742</u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2018, the allowance for uncollectible loans was \$411,802.

Note 6 Capital Assets

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 23,214,736	\$ 1	\$ —	\$ 23,214,737
Capitalized Collections	87,006	—	—	87,006
Construction Work-in-Progress	18,425,893	8,692,140	14,294,254	12,823,779
Total Capital Assets Not Being Depreciated	<u>41,727,635</u>	<u>8,692,141</u>	<u>14,294,254</u>	<u>36,125,522</u>
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	7,198,998	880,600	—	8,079,598
Building and Building Improvements	718,275,229	33,453,317	2,750,940	748,977,606
Facilities and Other Improvements	19,206,215	4,714,767	—	23,920,982
Equipment	119,481,996	7,242,858	3,449,600	123,275,254
Library Collections	28,909,792	716,259	311,998	29,314,053
Total Capital Assets Being Depreciated/Amortized	<u>893,072,230</u>	<u>47,007,801</u>	<u>6,512,538</u>	<u>933,567,493</u>
Less: Accumulated Depreciation/Amortization				
Infrastructure	2,557,454	341,765	—	2,899,219
Building and Building Improvements	282,777,936	18,861,055	—	301,638,991
Facilities and Other Improvements	7,654,012	903,225	—	8,557,237
Equipment	92,345,668	6,776,366	3,136,928	95,985,106
Library Collections	22,478,784	1,228,368	311,998	23,395,154
Total Accumulated Depreciation/Amortization	<u>407,813,854</u>	<u>28,110,779</u>	<u>3,448,926</u>	<u>432,475,707</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>485,258,376</u>	<u>18,897,022</u>	<u>3,063,612</u>	<u>501,091,786</u>
Capital Assets, net	<u>\$ 526,986,011</u>	<u>\$ 27,589,163</u>	<u>\$ 17,357,866</u>	<u>\$ 537,217,308</u>

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC.

For the year ended June 30, 2018, GSFIC transferred capital additions from GSFIC managed projects valued at \$26,496,870 to the University. In addition, at June 30, 2018, GSFIC had construction in progress of approximately \$43,498,754 for incomplete GSFIC managed projects for the University.

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

Fiscal Year	Depreciation Expense
2018	\$ 28,110,779
2017	\$ 28,011,451
2016	\$ 28,894,244

Note 7 Advances (Including Tuition and Fees)

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

	Current Liabilities
Prepaid Tuition and Fees	\$ 5,266,128
Research	34,286,031
Other - Advances	5,734,926
Totals	<u>\$ 45,287,085</u>

Note 8 Long-Term Liabilities

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

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Leases					
Lease Purchase Obligations	\$ 55,526,201	\$ 365,788	\$ 3,670,912	\$ 52,221,077	\$ 3,778,167
Other Liabilities					
Compensated Absences	38,982,226	28,157,212	27,941,730	39,197,708	21,701,052
Net Pension Liability	405,908,449	1,561,155	43,009,588	364,460,016	—
Net Other Post-employment Benefits Liability	504,301,895	—	4,174,710	500,127,185	—
Total	<u>949,192,570</u>	<u>29,718,367</u>	<u>75,126,028</u>	<u>903,784,909</u>	<u>21,701,052</u>
Total Long-Term Obligations	<u>\$1,004,718,771</u>	<u>\$ 30,084,155</u>	<u>\$ 78,796,940</u>	<u>\$ 956,005,986</u>	<u>\$ 25,479,219</u>

Note 9 Deferred Outflows and Inflows of Resources

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

Deferred Outflows of Resources

Deferred Loss on Debt Refunding	\$ 2,643,052
Deferred Loss on Defined Benefit Pension Plans (See Note 14)	58,502,061
Deferred Loss on OPEB Plan (See Note 17)	30,863,159
Total Deferred Outflows of Resources	\$ 92,008,272

Deferred Inflows of Resources

Deferred Gain on Debt Refunding	\$ 800,383
Deferred Gain on Defined Benefit Pension Plans (See Note 14)	13,912,638
Deferred Gain on OPEB Plan (See Note 17)	39,423,552
Total Deferred Inflows of Resources	\$ 54,136,573

Deferred Loss/Gain on Debt Refunding

In October 2014, the MCG-PPG Cancer Research Center, LLC, refunded the bonds associated with this lease and passed the perceived economic advantages of this refunding to the University by reducing the interest rate to 4.15% and the lease term maturity to June, 2034. The future minimum lease payments did not change as a result of this refunding. The University recognized a Deferred Loss on Debt Refunding in the amount of \$2,647,632. The unamortized Deferred Loss on Debt Refunding at year end related to this transaction is \$2,353,451.

In October 2014, the Augusta University Foundation refunded the bonds associated with the student activities center and passed the perceived advantages of this refunding to the University by reducing the effective interest rate to 3.72% with a maturity date of December, 2033. The future minimum lease payments did not change as a result of the refunding. The University recognized a Deferred Loss on Debt Refunding of \$325,802. The unamortized Deferred Loss on Debt Refunding at year end related to this transaction is \$289,601.

In November 2012, the Augusta University Foundation refunded the bond associated with the student housing complex lease at 4.26% for the same term with the same maturity date of January, 2035. The University recognized a Deferred Gain on Debt Refunding of \$894,546. The unamortized Deferred Gain on Debt Refunding at year end related to this transaction is \$800,383.

Note 10 Net Position

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

Net Investment in Capital Assets	\$ 485,453,028
<hr/>	
Restricted for	
Nonexpendable	
Permanent Endowment	2,558,310
<hr/>	
Expendable	
Sponsored and Other Organized Activities	18,210,371
Federal Loans	5,514,772
Institutional Loans	1,010,781
Quasi-Endowments	8,926,344
Sub-Total	<u>33,662,268</u>
<hr/>	
Unrestricted	
Auxiliary Enterprises Operations	2,764,579
Auxiliary Enterprises Renewals and Replacement Reserve	3,953,869
Reserve for Encumbrances	17,593,524
Reserve for Inventory	129,717
Capital Liability Reserve Fund	197,730
Other Unrestricted	(779,379,316)
Sub-Total	<u>(754,739,897)</u>
<hr/>	
Total Net Position	<u>\$ (233,066,291)</u>

In fiscal year 2018, the University implemented GASB Statement No. 75 which reduced other unrestricted net position by \$508,687,578 related to the recording of net OPEB liability, deferred gain on OPEB plan, and deferred loss on OPEB plan. Other unrestricted net position is also reduced by \$319,870,593 related to the recording of net pension liability, deferred gain on defined benefit pension plans, and deferred loss on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation and student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

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

	(Restated)			
	Balance			Balance
	July 1, 2017	Additions	Reductions	June 30, 2018
Net Investments in Capital Assets	\$ 472,466,154	\$ 45,076,600	\$ 32,089,726	\$ 485,453,028
Restricted Net Position	46,198,126	552,923,097	562,900,645	36,220,578
Unrestricted Net Position	<u>(780,431,456)</u>	<u>366,660,782</u>	<u>340,969,223</u>	<u>(754,739,897)</u>
Total Net Position	<u>\$ (261,767,176)</u>	<u>\$ 964,660,479</u>	<u>\$ 935,959,594</u>	<u>\$ (233,066,291)</u>

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$145,685 and is reflected as expendable restricted net position.

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

For the current year, the University did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2018. In addition to these encumbrances, the University had other significant unearned outstanding construction or renovation contracts in the amount of \$440,877 executed as of June 30, 2018. This amount is not reflected in the accompanying basic financial statements.

Note 13 Leases

Lease Obligations

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

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest expenditures related to capital leases for fiscal year 2018 were \$3,661,430 and \$1,897,397, respectively. In addition, a principal adjustment of \$9,482 was made, bringing the total principal reduction to \$3,670,912. Interest rates range from 2.437% to 10.10%.

The University has \$48,801,402 in outstanding lease obligations due to component units. Component units have \$48,801,402 in investment in capital lease receivables due from the University.

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

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2018	Outstanding Balance per Lease Schedules at June 30, 2018
	(+)	(-)	(=)	
Leased Equipment	\$ 7,578,047	\$ 3,917,335	\$ 3,660,712	\$ 3,419,675
Leased Buildings and Building Improvements	59,576,418	22,149,281	37,427,137	48,801,402
Total Assets Held Under Capital Lease	<u>\$ 67,154,465</u>	<u>\$ 26,066,616</u>	<u>\$ 41,087,849</u>	<u>\$ 52,221,077</u>

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

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
CRC	MCG-PPG, CRC LLC	\$ 27,704,398	30 years	01/2006	06/2034	\$ 23,706,252 (1)
University Housing	ASU Foundation	20,246,137	30 years	09/2005	01/2035	16,304,228 (1)
Student Center	ASU Foundation	11,782,962	29 years	03/2006	12/2033	8,790,922 (1)
Telephone System	Key Govt Finance, Inc.	4,972,657	4 years	09/2015	09/2019	2,063,669
Telephone System	Key Govt Finance, Inc.	302,400	2 years	03/2017	03/2019	96,789
Computer Lease	DeLage Landen	100,980	3 years	01/2016	01/2019	20,589
Multiple Individual Copier Leases	Pollock	1,841,108	5 years	08/2013	05/2023	1,238,628
Total Leases		<u>\$ 66,950,642</u>				<u>\$ 52,221,077</u>

(1) These capital leases are related party transactions.

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

Operating Leases

The University is obligated under various operating leases for the use of equipment. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2018 was \$2,227, none of which is due to related parties.

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

Year Ending June 30:	Real Property and Equipment	
	Capital Leases	Operating Leases
2019	\$ 5,553,346	\$ 4,899
2020	5,417,705	4,686
2021	4,288,108	4,687
2022	4,221,079	
2023	3,994,923	
2024 through 2028	19,762,118	
2029 through 2033	19,737,196	
2034 through 2038	4,258,698	
Total Minimum Lease Payments	67,233,173	\$ <u>14,272</u>
Less: Interest	12,220,328	
Less: Executory Costs	2,791,768	
Principal Outstanding	<u>\$ 52,221,077</u>	

Note 14. Retirement Plans

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

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

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

General Information about the Teachers Retirement System

Plan description

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

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The University's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of the annual University payroll. The University's contributions to TRS totaled \$34,287,410 for the year ended June 30, 2018.

General Information about the Employees' Retirement System

Plan description

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

Benefits provided

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

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

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$816,038 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2018, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the University's TRS proportion was 1.676517%, which was an increase of 0.000931% from its proportion measured as of June 30, 2016. At June 30, 2017, the University's ERS proportion was 0.074670%, which was an increase of 0.043564% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$33,137,795 for TRS and \$1,106,004 for ERS. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,655,230	\$ 1,175,892	\$ 33,230	\$ 24
Changes of assumptions	6,830,348	—	6,904	—
Net difference between projected and actual earnings on pension plan investments	—	2,144,232	—	7,551
Changes in proportion and differences between contributions and proportionate share of contributions	1,470,287	5,768,550	1,153,605	—
Contributions subsequent to the measurement date	34,287,410	—	816,038	—
Total	\$ 54,243,275	\$ 9,088,674	\$ 2,009,777	\$ 7,575

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	\$ (3,017,373)	\$ 693,727
2020	\$ 14,867,945	\$ 544,378
2021	\$ 7,017,703	\$ 34,044
2022	\$ (8,192,731)	\$ (85,985)
2023	\$ 191,647	\$ —

Actuarial assumptions

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

Teachers Retirement System

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

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

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

Employees' Retirement System

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

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

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

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

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.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the University's proportionate share of the net pension liability would be if it were

calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 511,348,934	\$ 311,585,848	\$ 147,025,964

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 4,280,362	\$ 3,032,599	\$ 1,968,218

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/financials, respectively.

B. Early Retirement Pension Plan

Plan Description

Augusta University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Findley, Inc., formerly Findley Davies/Bryan, Pendleton, Swats, and McAlister (BPS&M). The plan was derived by Augusta University as a means of workforce reduction and was approved by the Board of Regents of the University System of Georgia (BOR) effective January 1, 2000.

The plan was designed to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the Teachers Retirement System of Georgia (TRS) for early retirement.

The plan would allow for all participants to retire as if they were vested and aged 60 or had attained 30 years of creditable service. Any member who opted into the Optional Retirement Plan aged 55 with 10 years of service by June 30, 2000 was also eligible to participate in the plan.

The plan is closed to new entrants. There were no active plan participants. As of January 1, 2018, plan participants consisted of the following:

Inactive Plan Participants:

Retirees and Beneficiaries Currently Receiving Benefits	618
Terminated Employees Entitled to Deferred Benefits	0
Disabled Employees Entitled to Deferred Benefits	0
Total	618

Benefits Provided

TRS provides a benefit equal to 2.0% of the participant's average annual compensation during the two consecutive years of creditable service which produce the highest such average, multiplied by the number of years of creditable service, limited to 40 years. If the participant has less than 30 years of creditable service and has not attained age 60 at the time of retirement, the benefit will be reduced by the lesser of 1/12 of 7% for each month that retirement precedes age 60 or 7% for each year or fraction of a year by which the participant has less than 30 years of creditable service at the time of retirement. In addition, a one-time 3% increase is applied to the first \$37,500 of the participant's benefit at retirement.

The ERP provides the additional benefits that would have been payable under TRS based on the following adjustments:

- Age of the participant was increased five years
- Participant's creditable service was increased five years
- Participant's annual rate of earnings as of August 1, 1999 was projected five years into the future with 3% increases each year

ERP benefits will be increased 3% a year as a cost-of-living adjustment (COLA): 1.5% on each January 1 and July 1. The ERP provided COLA's for both the ERP and TRS benefits until actual eligibility for a COLA through TRS occurred. Since that time, the ERP has provided COLA's only on the portion of the benefit paid by the ERP, and TRS has provided COLA's under the terms of the TRS plan.

The ERP does not issue a standalone report.

Funding Policy

The fund sources that provided for an employee's salary, as of December 31, 1999, would be responsible for funding the annuity to provide for retiree benefits. There is no additional cost to the employee/retiree, USG, or State of Georgia for this plan. Contributions are made by Augusta University based on the actuarial valuation of the plan. For fiscal year 2018, affiliated organizations contributed \$5,886,802 to the plan on-behalf of the University.

Since this plan was not pre-funded, Augusta University's approach is to collect and deposit as much into the ERP fund in the earlier years as is possible, thereby, realizing a greater return on investment. Effective January 1, 2016, the period to amortize the unfunded accrued liability was extended 2 years. With this change, the plan should be fully funded by June 30, 2025. The funding policy is reasonable and in compliance with minimum funding requirements set forth in Code Section 47-20-10 of the Public Retirement Systems Standards Law.

Investments

Augusta University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility of the institution to the citizens of Georgia and which conforms to the USG investment policy. All investments are consistent with USG policy and applicable Federal and state laws.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. The Augusta University's Investment Policy and Guidelines for managing concentration of credit risk requires that stocks and debt issues be diversified. Augusta University also relies upon the concentration of credit risk policy of the individual investment vehicles related to plan assets. More than 5% of the Pension Plan's Investments are in Western Asset Core Plus Bond Fund, Vanguard Institutional Index Fund, iShares Russell 1000 Value Exchange-traded Fund (ETF), and iShares Russell 1000 Growth ETF. These investments are 5.52%, 40.48%, 7.69%, and 8.73% respectively of the Plan's total investments.

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.42%.

Net Pension Liability (NPL)

The components of the net pension liability at June 30, 2018 were as follows:

Total Pension Liability	\$ 148,863,688
Plan Fiduciary Net Position	<u>99,022,119</u>
Net Pension Liability	<u><u>\$ 49,841,569</u></u>

Plan Fiduciary Net Position as a percentage of total pension liability is 66.52%.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018 with the results rolled forward to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement: (a) rate of return of 7.50% per annum, compounded annually (b) inflation of 3 percent, and (c) cost of living increases of 3 percent per annum.

To better recognize current and future mortality improvements, effective June 30, 2018 mortality rates were based on the RP-2014 White Collar Mortality Table, adjusted to 2006, with generational mortality improvement projected after year 2006 using Scale MP-2017 rather than the previously used RP-2014 Mortality Table, adjusted to 2006, with generational mortality improvement projected after year 2006 using Scale MP-2015.

The projection of cash flows used to determine the discount rate of 7.5% per annum, compounded annually assumes that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	81.88%	6.50%
International Equity	—%	7.25%
Fixed Income	13.21%	1.25%
Real Estate	—%	5.75%
Cash	4.91%	0.50%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 61,955,353	\$ 49,841,569	\$ 39,266,044

Schedule of Changes in Net Pension Liability

For the year ended June 30, 2018, the University recognized net pension liability of \$49,841,569 calculated as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2017	\$ 149,152,995	\$ 90,408,065	\$ 58,744,930
Interest	10,669,543	—	10,669,543
Experience losses (gains)	664,493	—	664,493
Changes of assumptions	2,161,493	—	2,161,493
Contributions - Employer	—	13,084,672	(13,084,672)
Net investment income	—	9,314,218	(9,314,218)
Benefit payments	(13,784,836)	(13,784,836)	—
Net Change	(289,307)	8,614,054	(8,903,361)
Balance, June 30, 2018	\$ 148,863,688	\$ 99,022,119	\$ 49,841,569

Affiliated organizations contributed \$5,886,802 to the plan on behalf of the University.

Schedule of Changes in Pension Expense

For the year ended June 30, 2018, the University recognized pension expense of \$6,689,185 from the following sources:

	Pension Expense
Interest	\$ 10,669,543
Projected investment income	(6,754,349)
Recognition of experience (gain)/loss	664,493
Recognition of changes in assumptions	2,161,493
Investment losses (gains)	(51,995)
Pension Expense June 30, 2018	\$ 6,689,185

Deferred Outflows/Inflows of Resources

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,249,009	\$ 4,816,389

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$ (51,997)
2020	\$ (568,604)
2021	\$ (1,434,806)
2022	\$ (511,973)

C. Defined Contribution Plan

Regents Retirement Plan

Plan Description

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

Funding Policy

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

The University and the covered employees made the required contributions of \$13,298,125 (9.24%) and \$8,635,146 (6.00%), respectively.

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

Note 15 Risk Management

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

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

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

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

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

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

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

Note 16 Contingencies

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

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

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

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

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

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

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

Active Employees	5,107
Retirees or Beneficiaries Receiving Benefits	2,133
Retirees Receiving Life Insurance Only	564
Total	7,804

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

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

For fiscal year 2018, the University contributed \$18,710,488 to the plan for current premiums or claims.

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

At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the University's proportion was 11.852125%, which was a decrease of (0.148052)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of \$34,898,980. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,136,913	\$ —
Changes of assumptions	—	34,247,419
Net difference between projected and actual earnings on OPEB plan investments	15,758	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	5,176,133
Contributions subsequent to the measurement date	18,710,488	—
Total	<u>\$ 30,863,159</u>	<u>\$ 39,423,552</u>

The University's contributions subsequent to the measurement date of \$18,710,488 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(5,508,513)
2020	\$	(5,508,513)
2021	\$	(5,508,513)
2022	\$	(5,508,513)
2023	\$	(5,236,829)

Actuarial assumptions

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

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

Changes in Assumptions Since Prior Valuation

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

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

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

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

Discount rate

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

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

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

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
Proportionate Share of the Net OPEB Liability	\$ 597,458,315	\$ 500,127,185	\$ 424,250,913

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

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

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 421,877,008	\$ 500,127,185	\$ 603,509,857
Pre-Medicare Eligible	6.3% decreasing to 3.5%	7.3% decreasing to 4.5%	8.3% decreasing to 5.5%
Medicare Eligible	6.3% decreasing to 3.7%	7.3% decreasing to 4.7%	8.3% decreasing to 5.7%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

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

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 67,490,172	\$ 30,159,871	\$ 43,644,511	\$ 71,930	\$ 1,902,351
Research	9,759,046	12,724,944	5,814,647	693	514,941
Public Service	8,485,615	17,502,929	7,256,697	5,047	535,857
Academic Support	11,349,823	29,495,016	14,597,152	14,688	256,773
Student Services	305,661	3,565,272	1,294,071	47,082	124,471
Institutional Support	1,803,041	30,078,693	28,646,424	370,888	330,369
Plant Operations and Maintenance	270	12,048,207	4,822,775	—	45,656
Scholarships and Fellowships	—	21,726	—	—	—
Auxiliary Enterprises	123,350	4,530,093	1,870,889	15,932	94,177
Patient Care	85,851,306	118,995,878	51,316,119	2,774	485,303
Total Operating Expenses	\$ 185,168,284	\$ 259,122,629	\$ 159,263,285	\$ 529,034	\$ 4,289,898

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 722,218	\$ 979,654	\$ 20,031,814	\$ 9,391,037	\$ 174,393,558
Research	3,180	8,910	19,249,312	382,359	48,458,032
Public Service	32,200	154,032	9,814,587	190,495	43,977,459
Academic Support	300	123,886	4,832,173	1,722,893	62,392,704
Student Services	65,131	54,106	1,658,491	6,452	7,120,737
Institutional Support	—	292,512	19,672,441	8,269,995	89,464,363
Plant Operations and Maintenance	—	9,639,243	9,857,643	6,399,812	42,813,606
Scholarships and Fellowships	7,789,678	—	—	—	7,811,404
Auxiliary Enterprises	885,501	488,725	7,957,690	1,747,736	17,714,093
Patient Care	—	257,964	134,762,383	—	391,671,727
Total Operating Expenses	\$ 9,498,208	\$ 11,999,032	\$ 227,836,534	\$ 28,110,779	\$ 885,817,683

Note 19 Subsequent Event

Augusta University had no known subsequent events.

Note 20 Component Units

Augusta University Foundation, Inc.

The Augusta University Foundation (AUF) 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 AUF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2018, the AUF distributed approximately \$1,107,378 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Augusta University Research Institute, Inc.

Augusta University Research Institute (AURI) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The AURI serves to enhance the research mission of Augusta University by securing sponsored research funding and by providing funding of special research initiatives. During the year ended June 30, 2018, the AURI distributed approximately \$60,279,814 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

AU Health System, Inc.

AU Health System, Inc. (the Health System), located in Augusta, Georgia, is a legally separate, tax-exempt organization, which was established to promote the health science education missions and other tax-exempt functions and purposes of the Augusta University (the University), AU Medical Associates (AUMA), and AU Medical Center, Inc. (AUMC), by strategically coordinating operations of AUMA and AUMC. The Health System was incorporated under the laws of the State of Georgia as a non-profit corporation on June 1, 2010. It began operations on June 1, 2010 as part of a Joint Operating Agreement (the Agreement) with AUMA and AUMC. The Agreement was subsequently amended on June 26, 2014 to incorporate Roosevelt Warm Springs Rehabilitation & Specialty Hospitals, Inc. (RWSH) (a discretely presented component unit) and on August 28, 2014 to incorporate AU Health Professions Associates, Inc. (Health Professions Associates), Augusta University Nursing Associates, Inc. (Nursing Associates), and AU - Dental Associates (Dental Associates).

During the year ended June 30, 2018, the Health System, AUMC, RWSH, and AUMA completed a series of corporate and governance changes (the Reorganization) to better align the entities within the Health System and allow for efficient and integrated funds flow and accounting. As a result of the Reorganization, AUMA became a blended component unit of the Health System. Prior to the Reorganization, AUMA was a component unit of the University and AUMA's financial position and operating results were not included in the Health System financial statements. In addition, as a result of the Reorganization, AUMC and RWSH became blended component units of the Health System. Prior to the Reorganization, AUMC and RWSH were discretely presented component units within the Health System's financial statements. As part of the Reorganization, MCGH/PPG Reproductive Lab, LLC became a part of the integrated health system. This was not included in the Health System statements in the prior year as it was a joint venture between AUMC and AUMA and as such had a separate set of financial statements. The Health System has retrospectively restated its financial statements for the change in reporting entity as if it had occurred as of the start of the year ended June 30, 2017.

Georgia Health Sciences Foundation, Inc.

The Georgia Health Sciences Foundation (GHSF) 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 GHSF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2018, the GHSF distributed approximately \$5,690,616 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Medical College of Georgia Foundation, Inc.

Medical College of Georgia Foundation, Inc. (the Foundation) is a nonprofit corporation incorporated under the laws of the State of Georgia in 1954. The Foundation serves the needs and interests of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System. The Foundation presents

its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, Financial Statements of Not-for-Profit Organizations. 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.

Medical College of Georgia Foundation, Inc. receives and administers funds for the support of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System, and manages investments and distributed funds in accordance with donor instructions and board of director's intentions for gifts. The Foundation provides support for faculty chairs, research, scholarships, and other institutional programs. During the year ended June 30, 2018, the Foundation paid approximately \$5,858,829 to Augusta University and its affiliates in support of students and University programs. The Foundation paid approximately \$599,529 to non-affiliated organizations on behalf of Augusta University.

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

	<u>Fair Value</u>
Investment type	
Debt Securities	
U.S. Treasuries	\$ 35,874,236
U.S. Agencies	
Explicitly Guaranteed	863,251
Implicitly Guaranteed	5,316,778
Bond Securities	24,704,604
Corporate Debt	67,989,507
Money Market Mutual Funds	1,758,186
Municipal Obligations	7,281,291
Repurchase Agreements	654,000
Other Investments	
Equity Mutual Funds - Domestic	3,279,992
Equity Securities - Domestic	117,269,658
Equity Securities - International	10,434,545
Real Estate Held for Investment Purposes	20,779,392
Real Estate Investment Trusts	508,518
Other	<u>132,121,753</u>
	428,835,711
Investment Pools	
Board of Regents	—
Short-Term Fund	13,846,820
Balanced Income Fund	4,307,729
Total Return Fund	441,548
Diversified Fund for Foundations	<u>4,146,197</u>
Total Investments	<u>\$ 451,578,005</u>

Of the investments disclosed above, \$1,515,870 of the Board of Regents Short-Term investment pool held by Augusta University Research Institute, Inc. is reported as cash and cash equivalents on the Statement of Net Position.

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

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

	Unrestricted/ Quasi Endowment	Temporarily Restricted/ Term Endowment	Permanently Restricted/ True Endowment	Total
Beginning	\$ 33,502,204	\$ 74,004,151	\$ 149,022,776	\$ 256,529,131
Contributions	1,000	53,531	2,540,932	2,595,463
Net realized and unrealized gains	3,366,744	15,095,187	—	18,461,931
Appropriation of endowment assets for expenditure	(3,641,263)	(8,847,348)	—	(12,488,611)
Transfers to comply with donor intent	—	12,112	(28,672)	(16,560)
Other	573,133	3,371,538	—	3,944,671
Ending	<u>\$ 33,801,818</u>	<u>\$ 83,689,171</u>	<u>\$ 151,535,036</u>	<u>\$ 269,026,025</u>

Combined amounts due to component units related to direct financing lease activity as of June 30, 2018 is as follows:

Year Ending June 30:	Year:	Total
2019	1	\$ 3,918,012
2020	2	3,953,260
2021	3	3,951,870
2022	4	3,952,459
2023	5	3,954,083
2024 through 2028	6-10	19,762,118
2029 through 2033	11-15	19,737,196
2034 through 2038	16-20	4,258,698
Total Minimum Lease Payments to be Received		63,487,696
Less: Unearned Income		(14,686,294)
Net Investment in Direct Financing Lease Receivable		<u>\$ 48,801,402</u>

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

Capital Assets not being Depreciated:	
Land and Land Improvements	\$ 29,825,837
Construction Work-in-Progress	4,809,424
Software Development-in-Progress	16,044,727
Total Capital Assets not being Depreciated	<u>50,679,988</u>
Capital Assets, Being Depreciated/Amortized:	
Buildings and Building Improvements	37,875,854
Facilities and Other Improvements	184,784,746
Equipment	258,610,881
Software	30,511,892
Total Capital Assets being Depreciated/Amortized	<u>511,783,373</u>
Less Total Accumulated Depreciation/Amortization	<u>294,059,752</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>217,723,621</u>
Capital Assets, Net	<u>\$ 268,403,609</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Compensated Absences	\$ 18,843,484	\$ 4,525,759	\$ 3,976,870	\$ 19,392,373	\$ 19,392,373
Lease Purchase Obligation (Capital Lease)	29,981,158	2,646,327	9,381,143	23,246,342	5,469,281
Liabilities under Split Interest Agreement	1,239,140	—	91,792	1,147,348	90,485
Notes and Loans Payable	43,958,123	29,790,896	4,899,019	68,850,000	8,254,167
Interest Rate Swap	20,812,794	—	5,994,198	14,818,596	—
Other Post Employment Benefits Obligation	11,531,792	6,957,347	12,323,460	6,165,679	—
Revenue/Mortgage Bonds Payable	161,505,000	—	7,755,000	153,750,000	3,905,000
Bond - Premium	3,537,943	—	307,439	3,230,504	—
Unamortized Issuance and Other Bond Related Costs	(895,310)	—	(41,689)	(853,621)	—
Total Long Term Liabilities	\$ 290,514,124	\$ 43,920,329	\$ 44,687,232	\$ 289,747,221	\$ 37,111,306

Combined component unit's capital lease obligations are comprised of the following amounts at June 30, 2018:

Year ending June 30:

2019	1	\$ 6,707,799
2020	2	6,146,444
2021	3	4,703,533
2022	4	3,827,931
2023	5	2,501,146
2024 through 2028	6-10	2,991,627
Total minimum lease payments		26,878,480
Less: Interest		3,632,138
Principal Outstanding		\$ 23,246,342

Combined component unit's notes and loans are comprised of the following amounts at June 30, 2018:

		Principal	Interest	Total
Year ending June 30:				
2019	1	\$ 8,254,167	\$ 890,839	\$ 9,145,006
2020	2	60,595,833	—	60,595,833
Total		\$ 68,850,000	\$ 890,839	\$ 69,740,839

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

		Principal	Interest	Total
Year ending June 30:				
2019	1	\$ 3,905,000	\$ 6,551,648	\$ 10,456,648
2020	2	6,190,000	6,292,343	12,482,343
2021	3	6,405,000	6,013,430	12,418,430
2022	4	6,650,000	5,713,933	12,363,933
2023	5	6,900,000	5,393,178	12,293,178
2024 through 2028	6-10	38,580,000	21,786,944	60,366,944
2029 through 2033	11-15	45,890,000	12,404,373	58,294,373
2034 through 2038	16-20	39,230,000	2,160,710	41,390,710
		153,750,000	66,316,559	220,066,559
Bond Premium		3,230,504	—	3,230,504
Unamortized Issuance and Other Bond Related Costs		(853,621)	—	(853,621)
Total		\$ 156,126,883	\$ 66,316,559	\$ 222,443,442



Required Supplementary Information

**AUGUSTA 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) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Early Retirement Plan	6/30/2018	\$ 11,767,714	\$ 13,084,672	\$ (1,316,958)	N/A	N/A
	6/30/2017	\$ 12,107,903	\$ 13,084,672	\$ (976,769)	N/A	N/A
	6/30/2016	\$ 12,760,669	\$ 13,084,672	\$ (324,003)	N/A	N/A
	6/30/2015	\$ 12,996,582	\$ 13,084,672	\$ (88,090)	N/A	N/A
	6/30/2014	\$ 13,045,051	\$ 13,084,672	\$ (39,621)	N/A	N/A
	6/30/2013	\$ 13,055,907	\$ 13,225,850	\$ (169,943)	N/A	N/A
	6/30/2012	\$ 12,861,601	\$ 13,225,850	\$ (364,249)	N/A	N/A
	6/30/2011	\$ 12,973,559	\$ 13,225,850	\$ (252,291)	N/A	N/A
	6/30/2010	\$ 13,050,409	\$ 13,225,850	\$ (175,441)	N/A	N/A
	6/30/2009	\$ 13,225,850	\$ 13,225,850	\$ —	N/A	N/A
Employees' Retirement System	6/30/2018	\$ 816,038	\$ 816,038	\$ —	\$ 3,296,810	24.75%
	6/30/2017	\$ 457,473	\$ 457,473	\$ —	\$ 1,845,641	24.79%
	6/30/2016	\$ 178,786	\$ 178,786	\$ —	\$ 723,246	24.72%
	6/30/2015	\$ 143,532	\$ 143,532	\$ —	\$ 653,608	21.96%
	6/30/2014	\$ 104,806	\$ 104,806	\$ —	\$ 567,746	18.46%
	6/30/2013	\$ 89,395	\$ 89,395	\$ —	\$ 599,617	14.91%
	6/30/2012	\$ 65,638	\$ 65,638	\$ —	\$ 564,385	11.63%
	6/30/2011	\$ 87,040	\$ 87,040	\$ —	\$ 836,119	10.41%
	6/30/2010	\$ 94,168	\$ 94,168	\$ —	\$ 904,592	10.41%
	6/30/2009	\$ 89,258	\$ 89,258	\$ —	\$ 853,028	10.46%
Teachers Retirement System	6/30/2018	\$ 34,287,410	\$ 34,287,410	\$ —	\$ 203,978,259	16.81%
	6/30/2017	\$ 27,473,760	\$ 27,473,760	\$ —	\$ 192,528,053	14.27%
	6/30/2016	\$ 26,234,649	\$ 26,234,649	\$ —	\$ 183,847,072	14.27%
	6/30/2015	\$ 23,837,005	\$ 23,837,005	\$ —	\$ 181,274,041	13.15%
	6/30/2014	\$ 21,780,531	\$ 21,780,531	\$ —	\$ 177,368,194	12.28%
	6/30/2013	\$ 19,623,178	\$ 19,623,178	\$ —	\$ 171,985,813	11.41%
	6/30/2012	\$ 18,166,483	\$ 18,166,483	\$ —	\$ 176,716,761	10.28%
	6/30/2011	\$ 17,965,990	\$ 17,965,990	\$ —	\$ 174,766,440	10.28%
	6/30/2010	\$ 17,059,127	\$ 17,059,127	\$ —	\$ 175,145,041	9.74%
	6/30/2009	\$ 16,179,733	\$ 16,179,733	\$ —	\$ 174,350,571	9.28%

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

	Year Ended	Proportion of the Net Pension Liability	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	6/30/2018	0.074670%	\$ 3,032,599	\$ 1,845,641	164.31%	76.33%
	6/30/2017	0.031106%	\$ 1,471,444	\$ 723,246	203.45%	72.34%
	6/30/2016	0.025072%	\$ 1,102,710	\$ 653,608	168.71%	76.20%
	6/30/2015	0.025214%	\$ 945,681	\$ 567,746	166.57%	77.99%
Teachers Retirement System	6/30/2018	1.676517%	\$ 311,585,848	\$ 192,528,053	161.84%	79.33%
	6/30/2017	1.675586%	\$ 345,692,075	\$ 183,847,072	188.03%	76.06%
	6/30/2016	1.716662%	\$ 261,344,743	\$ 181,274,041	144.17%	81.44%
	6/30/2015	1.738329%	\$ 219,614,941	\$ 177,368,194	123.82%	84.03%

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

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST FIVE FISCAL YEARS*
(Dollar amounts in millions)**

	2018	2017	2016	2015	2014
Total Pension Liability	\$ 148.9	\$ 149.2	\$ 151.8	\$ 143.8	\$ 145.4
Plan Fiduciary Net Position	(99.0)	(90.4)	(80.3)	(79.1)	(76.2)
Net Pension Liability	\$ 49.9	\$ 58.8	\$ 71.5	\$ 64.7	\$ 69.2
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.5%	60.6%	52.9%	55.0%	52.4%
Covered Payroll	—%	—%	—%	—%	—%
Employers' and Nonemployers' Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST FIVE FISCAL YEARS*
(Dollar amounts in millions)**

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Interest	\$ 10.7	\$ 10.9	\$ 10.3	\$ 10.4	\$ 10.6
Differences Between Expected and Actual Experience	0.6	0.1	1.3	1.3	(0.1)
Changes of Assumptions	2.2		9.9		
Benefit Payments/Refunds	(13.8)	(13.6)	(13.5)	(13.3)	(13.1)
Net Change in Total Pension Liability	(0.3)	(2.6)	8.0	(1.6)	(2.6)
Total Pension Liability - Beginning	149.2	151.8	143.8	145.4	148.0
Total Pension Liability - Ending (a)	<u>\$ 148.9</u>	<u>\$ 149.2</u>	<u>\$ 151.8</u>	<u>\$ 143.8</u>	<u>\$ 145.4</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - Employer	\$ 13.1	\$ 13.1	\$ 13.1	\$ 13.1	\$ 13.1
Net Investment Income	9.3	10.6	1.6	3.1	11.8
Benefit Payments/Refunds	(13.8)	(13.6)	(13.5)	(13.3)	(13.1)
Net Change in Plan Fiduciary Net Position	8.6	10.1	1.2	2.9	11.8
Plan Fiduciary Net Position - Beginning	90.4	80.3	79.1	76.2	64.4
Plan Fiduciary Net Position - Ending (b)	<u>\$ 99.0</u>	<u>\$ 90.4</u>	<u>\$ 80.3</u>	<u>\$ 79.1</u>	<u>\$ 76.2</u>
Net Pension Liability Ending (a - b)	<u>\$ 49.9</u>	<u>\$ 58.8</u>	<u>\$ 71.5</u>	<u>\$ 64.7</u>	<u>\$ 69.2</u>

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

**AUGUSTA UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
 SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
 FOR THE LAST FIVE FISCAL YEARS***

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	10.42%	13.39%	2.02%	4.13%	18.35%

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

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

Changes of assumptions

Early Retirement Plan:

The expectation of retired life mortality was changed effective June 30, 2018 to the RP-2014 White Collar Mortality Table rather than the RP-2014 Mortality Table used previously. Mortality rates were adjusted to better recognize current and future mortality improvements.

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).

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST TWO YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2018	\$ 18,710,488	\$ 18,710,488	\$ —	\$ 400,360,594	4.67%
6/30/2017	\$ 11,802,809	\$ 11,802,809	\$ —	\$ 378,955,612	3.11%

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

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

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2018	11.85%	\$ 500,127,185	\$ 378,955,612	131.98%	0.19%

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

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

Changes in Assumptions Since Prior Valuation

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



Supplementary Information

**AUGUSTA UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2018
(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$	21,680,940.91
Investments		77,924,454.33
Accounts Receivable		
Federal Financial Assistance		5,095,698.46
Other		57,916,179.73
Margin Allocation		6,638,215.00
Prepaid Expenditures		4,528,036.12
Inventories		97,562.65
Other Assets		11,000.00
		<hr/>
Total Assets	\$	<u>173,892,087.20</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	3,066,415.31
Encumbrance Payable		16,719,626.53
Accounts Payable		5,426,663.95
Unearned Revenue		43,571,278.00
		<hr/>
Total Liabilities		<u>68,783,983.79</u>

Fund Balances

Reserved		
Department Sales and Services		6,076,320.64
Indirect Cost Recoveries		39,651,877.61
Technology Fees		194,272.99
Restricted/Sponsored Funds		54,181,200.01
Uncollectible Accounts Receivable		441,079.05
Inventories		129,717.10
Tuition Carry - Forward		2,562,870.06
Carry-Over "Per Governor's Office of Planning and Budget"		1,737,762.15
Unreserved		
Surplus		133,003.80
		<hr/>
Total Fund Balances		<u>105,108,103.41</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u>173,892,087.20</u>

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.

**AUGUSTA UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ 13,968,097.00	\$ 13,968,097.00	\$ 26,630,370.00	\$ 26,630,370.00	\$ —
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	—	—	2,700,782.00	—	2,700,782.22
Total Public Service / Special Funding Initiatives	13,968,097.00	13,968,097.00	29,331,152.00	26,630,370.00	2,700,782.22
Teaching					
State Appropriation					
State General Funds	204,226,511.00	204,226,511.00	198,574,277.00	198,574,277.00	—
Other Funds	630,868,984.00	630,868,984.00	791,224,573.00	651,080,403.32	76,475,645.43
Total Teaching	835,095,495.00	835,095,495.00	989,798,850.00	849,654,680.32	76,475,645.43
Total Operating Activity	\$ 849,063,592.00	\$ 849,063,592.00	\$ 1,019,130,002.00	\$ 876,285,050.32	\$ 79,176,427.65

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.

**AUGUSTA UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Funds Available Compared to Budget		Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ 26,630,370.00	\$ —	\$ 26,630,147.80	\$ 222.20	\$ 222.20
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	2,700,782.22	0.22	963,019.85	1,737,762.15	1,737,762.37
Total Public Service / Special Funding Initiatives	29,331,152.22	0.22	27,593,167.65	1,737,984.35	1,737,984.57
Teaching					
State Appropriation					
State General Funds	198,574,277.00	—	198,562,153.61	12,123.39	12,123.39
Other Funds	727,556,048.75	(63,668,524.25)	624,803,464.04	166,421,108.96	102,752,584.71
Total Teaching	926,130,325.75	(63,668,524.25)	823,365,617.65	166,433,232.35	102,764,708.10
Total Operating Activity	\$ 955,461,477.97	\$ (63,668,524.03)	\$ 850,958,785.30	\$ 168,171,216.70	\$ 104,502,692.67

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.

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

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ 2.26	\$ —	\$ (2.26)	\$ 3,639.52	\$ —
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	2,717,627.29	(2,700,782.22)	(16,845.07)	16,847.11	—
Total Public Service / Special Funding Initiatives	2,717,629.55	(2,700,782.22)	(16,847.33)	20,486.63	—
Teaching					
State Appropriation					
State General Funds	37,329.04	—	(37,329.04)	51,445.01	(12,123.40)
Other Funds	76,485,540.68	(76,475,645.43)	(9,895.25)	63,997.28	(89,190.92)
Total Teaching	76,522,869.72	(76,475,645.43)	(47,224.29)	115,442.29	(101,314.32)
Total Operating Activity	79,240,499.27	(79,176,427.65)	(64,071.62)	135,928.92	(101,314.32)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	144,616.30				(14,899.20)
Uncollectible Accounts Receivable	324,865.53				116,213.52
Budget Unit Totals	\$ 79,709,981.10	\$ (79,176,427.65)	\$ (64,071.62)	\$ 135,928.92	\$ —

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.

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

	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
			Reserved	Surplus/(Deficit)	Total
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ 222.20	\$ 3,861.72	\$ —	\$ 3,861.72	\$ 3,861.72
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	1,737,762.37	1,754,609.48	1,737,762.15	16,847.33	1,754,609.48
Total Public Service / Special Funding Initiatives	1,737,984.57	1,758,471.20	1,737,762.15	20,709.05	1,758,471.20
Teaching					
State Appropriation					
State General Funds	12,123.39	51,445.00	—	51,445.00	51,445.00
Other Funds	102,752,584.71	102,727,391.07	102,666,541.31	60,849.75	102,727,391.06
Total Teaching	102,764,708.10	102,778,836.07	102,666,541.31	112,294.75	102,778,836.06
Total Operating Activity	104,502,692.67	104,537,307.27	104,404,303.46	133,003.80	104,537,307.26
Prior Year Reserves					
Not Available for Expenditure					
Inventories		129,717.10	129,717.10		129,717.10
Uncollectible Accounts Receivable		441,079.05	441,079.05		441,079.05
Early Retirement Program (Georgia Health Sciences University)		—	—		—
Budget Unit Totals	\$ 104,502,692.67	\$ 105,108,103.42	\$ 104,975,099.61	\$ 133,003.80	\$ 105,108,103.41
Departmental Sales and Services			\$ 6,076,320.64	\$ —	\$ 6,076,320.64
Indirect Cost Recovery			39,651,877.61	—	39,651,877.61
Technology Fees			194,272.99	—	194,272.99
Restricted/Sponsored Funds			54,181,200.01	—	54,181,200.01
Carry-Over "Per Governor's Office of Planning and Budget"			1,737,762.15	—	1,737,762.15
Tuition Carry-Forward			2,562,870.06	—	2,562,870.06
Uncollectible Accounts Receivable			441,079.05	—	441,079.05
Inventories			129,717.10	—	129,717.10
Surplus			—	133,003.80	133,003.80
			\$ 104,975,099.61	\$ 133,003.80	\$ 105,108,103.41

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