GEORGIA SOUTHERN UNIVERSITY
STATESBORO, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2018

A Member Institution of the
University System of Georgia

GEORGIA SOUTHERN UNIVERSITY

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

September 7, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Ms. Shelley C. Nickel, President
Georgia Southern University

Ladies and Gentlemen:

This Management Report contains information pertinent to the Georgia Southern University's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2018. Additionally, we audited Georgia Southern University's Federal Student Aid programs for the year ended June 30, 2018 to meet the requirements of COC Standard 13.6. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Georgia Southern University to support our audit of the basic financial statements of the University System of Georgia presented in the *University System of Georgia Annual Financial Report* and the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2018.

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

Respectfully,

Greg S. Griffin
State Auditor

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SELECTED FINANCIAL INFORMATION

GEORGIA SOUTHERN UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2018

EXHIBIT "A"

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	64,648,055
Cash and Cash Equivalents (Externally Restricted)		938,014
Accounts Receivable, Net		
Federal Financial Assistance		6,743,863
Affiliated Organizations		2,531,387
Other		11,738,397
Inventories		4,452,338
Prepaid Items		2,800,395
Total Current Assets		93,852,449
Noncurrent Assets		
Accounts Receivable, Net		
Affiliated Organizations		
Component Units		2,596,400
Due From USO - Capital Liability Reserve Fund		1,999,583
Investments		4,176,858
Notes Receivable, Net		1,956,907
Investments (Externally Restricted)		5,830,035
Capital Assets, Net		637,755,112
Total Noncurrent Assets		654,314,895
Total Assets		748,167,344
Deferred Outflows of Resources		45,610,618
LIABILITIES		
Current Liabilities		
Accounts Payable		6,846,803
Salaries Payable		2,176,346
Benefits Payable		724,968
Contracts Payable		2,007,432
Retainage Payable		526,564
Due to Affiliated Organizations		288,774
Advances (Including Tuition and Fees)		9,169,939
Deposits		327,050
Deposits Held for Other Organizations		2,040,372
Other Liabilities		118,075
Notes and Loans Payable		146,285
Lease Purchase Obligations		9,639,803
Compensated Absences		6,869,574
Total Current Liabilities		40,881,985
Noncurrent Liabilities		
Notes and Loans Payable		963,164
Lease Purchase Obligations		233,451,204
Compensated Absences		2,478,178
Net Other Post Employment Benefits Liability		272,905,117
Net Pension Liability		146,782,411
Total Noncurrent Liabilities		656,580,074
Total Liabilities		697,462,059
Deferred Inflows of Resources		30,490,378
NET POSITION		
Net Investment in Capital Assets		383,654,850
Restricted for:		
Nonexpendable		6,222,432
Expendable		4,449,727
Unrestricted (Deficit)		(328,501,484)
Total Net Position	$	65,825,525

GEORGIA SOUTHERN UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)

JUNE 30, 2018

EXHIBIT "B"

OPERATING REVENUES	
Student Tuition and Fees (Net)	$ 150,017,841
Grants and Contracts	
Federal	6,833,485
State	483,077
Other	12,053,469
Sales and Services	3,951,309
Rents and Royalties	249,830
Auxiliary Enterprises (Net)	
Residence Halls	34,402,927
Bookstore	9,984,063
Food Services	24,329,302
Parking /Transportation	4,448,758
Health Services	4,547,552
Intercollegiate Athletics	19,715,292
Other Organizations	2,603,889
Other Operating Revenues	3,611,792
Total Operating Revenues	277,232,586
OPERATING EXPENSES	
Faculty Salaries	90,881,499
Staff Salaries	116,691,529
Employee Benefits	80,749,051
Other Personal Services	1,176,413
Travel	4,115,812
Scholarships and Fellowships	27,502,162
Utilities	14,394,136
Supplies and Other Services	107,249,462
Depreciation	34,279,322
Total Operating Expenses	477,039,386
Operating Loss	(199,806,800)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	133,567,038
Grants and Contracts	
Federal	45,445,425
Gifts	7,282,379
Investment Income (Endowments, Auxiliary and Other)	1,008,057
Interest Expense (Capital Assets)	(10,783,644)
Other Nonoperating Revenues (Expenses)	(406,583)
Net Nonoperating Revenues	176,112,672
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(23,694,128)
Capital Grants and Gifts	
State	8,790,657
Other	268,768
Special Item	1,425,076
Total Other Revenues, Expenses, Gains or Losses	10,484,501
Change in Net Position	(13,209,627)
Net Position - Beginning of Year, Restated	79,035,152
Net Position - End of Year	$ 65,825,525

GEORGIA SOUTHERN UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2018

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from Customers	$	256,934,509
Grants and Contracts (Exchange)		16,516,148
Payments to Suppliers		(192,310,330)
Payments to Employees		(211,350,088)
Payments for Scholarships and Fellowships		(27,502,162)
Loans Issued to Students		(81,090)
Collection of Loans to Students		408,650
Other Receipts		688
Net Cash Used by Operating Activities		(157,383,675)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		133,567,038
Agency Funds - Receipts		297,254,833
Agency Funds - Disbursements		(291,119,777)
Gifts and Grants Received for Other than Capital Purposes		51,695,996
Other Non-Capital Financing Payments		(197,381)
Net Cash Flows Provided by Non-Capital Financing Activities		191,200,709
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received		6,244,425
Purchases of Capital Assets		(18,621,581)
Principal Paid on Capital Debt and Leases		(11,154,671)
Interest Paid on Capital Debt and Leases		(11,683,062)
Net Cash Used by Capital and Related Financing Activities		(35,214,889)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		360,129
Net Decrease in Cash and Cash Equivalents		(1,037,726)
Cash and Cash Equivalents - Beginning of Year		66,623,795
Cash and Cash Equivalents - End of Year	$	65,586,069

GEORGIA SOUTHERN UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2018

"EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(199,806,800)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		34,279,322
Operating Expenses Related to Noncash Gifts		1,031,808
Change in Assets and Liabilities:		
Receivables, Net		(2,477,543)
Inventories		(582,148)
Prepaid Items		548,516
Notes Receivable, Net		327,560
Accounts Payable		(382,697)
Salaries Payable		221,588
Contracts Payable		(470,867)
Retainage Payable		(43,848)
Deposits		(555,994)
Advances (Including Tuition and Fees)		(699,873)
Other Liabilities		(43,154)
Funds Held for Others		688
Compensated Absences		136,033
Due to Affliated Organizations		(411,353)
Net Pension Liability		(13,973,937)
Other Post-Employment Benefit Liability		(858,231)
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		20,831,115
Deferred Outflows of Resources		5,546,140
Net Cash Used by Operating Activities	$	(157,383,675)

NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Financing Activities Accounts Receivable Accrual, Net of Allowance	$	2,546,232
Gift of Capital Assets	$	268,768
Loss on Disposal of Capital Assets	$	(209,202)
Accrual of Capital Asset Related Payables	$	(2,407,948)
Capital Assets Acquired by Incurring Capital Lease Obligations	$	(191,242)
Gain on Capital Debt Refunded	$	3,307,440
Extinguishment of Capital Debt	$	1,425,076
Amortization of Deferred Gain/Loss of Capital Debt Refunded	$	899,418
Unrealized Gain on Investments	$	647,928

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. They 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 State's CAFR as of and for the year ended June 30, 2018 has not been issued as of the release of this report. 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 https://sao.georgia.gov/comprehensive-annual-financial-reports.

BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PREPARATION

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

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

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2018, the Institution adopted Governmental Accounting Standards Board (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 Institution's financial statements.

For fiscal year 2018, the Institution adopted Governmental Accounting Standards Board (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 Institution's financial statements.

For fiscal year 2018, the Institution adopted Governmental Accounting Standards Board (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 beneficiary of the agreement. The adoption of this statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2018, the Institution adopted Governmental Accounting Standards Board (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 Employees 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 postemployment benefits other than pensions. The adoption of this statement resulted in the accrual of the Institution'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.

CAPITAL LIABILITY RESERVE FUND

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

NET POSITION

The Institution's net position is classified as follows:

Net Investment in Capital Assets represents the Institution's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the Georgia State Financing and Investment Commission (GSFIC).

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

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $31,913.73. Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

RESTATEMENT NOTE DISCLOSURE

The Institution made the following restatements related to business-type activities:

Net Position, Beginning of Year, As Originally Reported (see Note 15: Merger)	$	346,358,045
Change in accounting principles		(267,322,893)
Net Position, Beginning of Year, Restated	$	79,035,152

For fiscal year 2018, the Institution made prior period adjustments due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, which require the restatement of the June 30, 2017, net position. The result is a decrease in net position at July 1, 2017 of $267,322,893 of which $273,763,348 is represented in Net OPEB Liability and $6,440,455 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

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	$	64,648,055
Cash and Cash Equivalents (Externally Restricted)		938,014
Non-Current - Investments		4,176,858
Noncurrent - Investments (Externally Restricted)		5,830,035
	$	75,592,962

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

Cash on Hand	$	174,765
Deposits with Financial Institutions		54,708,700
Investments		20,709,497
	$	75,592,962

DEPOSITS

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

At June 30, 2018, the bank balances of the Institution's deposits totaled $58,101,099. Of the Institution's deposits, $57,851,099 were uninsured. Of these uninsured deposits, $57,851,099 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name.

INVESTMENTS

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

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 Institution's position in the pooled investment fund options are described below:

1. Short-Term Fund

   The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. §50-17-59 and §50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of ¾ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Institution's position in the Short-Term Fund at June 30, 2018 was $10,702,604, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.71 years.

2. Diversified Fund

   The Diversified Fund 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) potion 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 Institution's position in the Diversified Fund at June 30, 2018 was $10,006,893, 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 Institution does not have a formal policy for managing interest rate risk for investments.

	Fair Value
Investment Pools	
Board of Regents	
Short-Term Fund	$ 10,702,604
Diversified Fund	10,006,893
Total Investment Pools	20,709,497

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 Institution will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institution does not have a formal policy for managing custodial credit risk for investments.

Credit Quality Risk
Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Institution does not have a formal policy for managing credit quality risk for investments.

NOTE 3: ACCOUNTS RECEIVABLE

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

Student Tuition and Fees	$ 1,352,930
Auxiliary Enterprises and Other Operating Activities	2,580,588
Federal Financial Assistance	6,743,863
Georgia Student Finance Commission	4,104,058
Georgia State Financing and Investment Commission	3,742,522
Due from Affiliated Organizations	2,531,387
Due from Component Units	2,596,400
Due from USO-Capital Liability Reserve Fund	1,999,583
Other	858,904
	26,510,235
Less Allowance for Doubtful Accounts	900,605
Net Accounts Receivable	$ 25,609,630

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	$ 36,217,682	$ 242,606	$ -	$ 36,460,288
Capitalized Collections	1,007,600	52,940	-	1,060,540
Construction Work-In-Progress	2,832,957	13,102,458	6,308,541	9,626,874
Total Capital Assets, Not Being Depreciated	40,058,239	13,398,004	6,308,541	47,147,702
Capital Assets, Being Depreciated:				
Infrastructure	25,307,295	-	-	25,307,295
Building and Building Improvements	843,036,388	1,841,891	1,403,000	843,475,279
Facilities and Other Improvements	23,900,545	4,552,180	-	28,452,725
Equipment	69,121,506	5,343,914	2,629,249	71,836,171
Library Collections	63,851,019	1,199,848	19,775	65,031,092
Capitalized Collections	31,075	-	-	31,075
Total Capital Assets Being Depreciated/Amortized	1,025,247,828	12,937,833	4,052,024	1,034,133,637
Less: Accumulated Depreciation:				
Infrastructure	18,650,027	319,760	-	18,969,787
Building and Building Improvements	283,714,953	23,869,246	1,244,353	306,339,846
Facilities and Other Improvements	5,887,971	1,215,357	-	7,103,328
Equipment	51,044,262	6,864,223	2,578,694	55,329,791
Library Collections	53,784,387	2,009,959	19,775	55,774,571
Capitalized Collections	8,127	777	-	8,904
Total Accumulated Depreciation	413,089,727	34,279,322	3,842,822	443,526,227
Total Capital Assets, Being Depreciated, Net	612,158,101	(21,341,489)	209,202	590,607,410
Capital Assets, Net	$ 652,216,340	$ (7,943,485)	$ 6,517,743	$ 637,755,112

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

Fiscal Year	Depreciation Expense
2018	$ 34,279,322
2017 Restated	$ 33,115,545
2016 Restated	$ 33,228,781

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

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

	Current Liabilities
Prepaid Tuition and Fees	$ 7,585,881
Other - Advances	1,584,058
Total	$ 9,169,939

NOTE 6: 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 Obligations	$ 258,648,393	$ 191,242	$ 15,748,628	$ 243,091,007	$ 9,639,803
Other Liabilities					
Compensated Absences	9,211,718	6,775,872	6,639,838	9,347,752	6,869,574
Net Pension Liability	160,756,348	82,321	14,056,258	146,782,411	-
Notes and Loans Payable	1,248,008	-	138,559	1,109,449	146,285
Net Other Post Employment Benefit Liability	273,763,348	-	858,231	272,905,117	-
Total	444,979,422	6,858,193	21,692,886	430,144,729	7,015,859
Total Long-Term Obligations	$ 703,627,815	$ 7,049,435	$ 37,441,514	$ 673,235,736	$ 16,655,662

Notes and Loans Payable
Included in Long-Term Liabilities is a $3,000,000 note payable that was originally payable to Georgia Education Authority (University), (GEA(U)). In July 2007, GEA(U) met and resolved to no longer conduct business as a state authority and disposed of all its assets and liabilities. As a result of that decision, a Note Receivable that was payable from Georgia Southern University was transferred by Resolution from GEA(U) to the University System Office (USO) of the University System of Georgia. Georgia Southern University continues to render payments according to the original amortization schedule to USO. The interest rate for the note is 5.50% and matures during fiscal year 2025. Below is the annual debt service related to the outstanding note payable at June 30, 2018.

	Principal	Interest
Year Ending June 30:		
2019	$ 146,285	$ 59,036
2020	154,441	50,879
2021	163,052	42,268
2022	172,143	33,177
2023	181,741	23,579
2024 - 2028	291,787	16,193
	$ 1,109,449	$ 225,132

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2017 and June 30, 2018, consisted of the following:

	(Restated) Fiscal Year 2017	Fiscal Year 2018
Deferred Outflows of Resources		
Deferred Loss on Debt Refunding	$ 643,071	$ 612,449
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	44,103,854	28,335,436
Deferred Loss on OPEB Plan (See Note 14)	6,440,455	16,662,733
Total Deferred Outflows of Resources	$ 51,187,380	$ 45,610,618
Deferred Inflows of Resources		
Deferred Gain on Debt Refunding	$ 5,726,908	$ 8,104,307
Deferred Gain on Defined Benefit Pension Plans (See Note 11)	1,554,956	2,054,933
Deferred Gain on OPEB Plan (See Note 14)	-	20,331,138
Total Deferred Inflows of Resources	$ 7,281,864	$ 30,490,378

NOTE 8: NET POSITION

Changes in net position for the year ended June 30, 2018 are as follows:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Net Investment in Capital Assets	$ 385,773,859	$ 35,775,924	$ 37,894,933	$ 383,654,850
Restricted Net Position	14,206,214	73,874,881	77,408,936	10,672,159
Unrestricted Net Position	(320,944,921)	401,145,105	408,701,668	(328,501,484)
Total Net Position	$ 79,035,152	$ 510,795,910	$ 524,005,537	$ 65,825,525

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

NET POSITION	
Net Investment in Capital Assets	$ 383,654,850
Restricted for	
Nonexpendable	
Permanent Endowment	6,222,432
Expendable	
Sponsored and Other Organized Activities	1,947,203
Federal Loans	2,447,281
Institutional Loans	55,243
Sub-Total	4,449,727
Unrestricted	
Auxiliary Enterprises Operations	26,133,839
Auxiliary Enterprises Renewals and Replacement Reserve	20,044,863
Reserve for Encumbrances	33,794,933
Reserve for Inventory	50,000
Capital Liability Reserve Fund	1,999,583
Other Unrestricted	(410,524,702)
Sub-Total	(328,501,484)
Total Net Position	$ 65,825,525

NOTE 9: ENDOWMENTS

Donor Restricted Endowments

Investments of the Institution's endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was $28,007 and is reflected as expendable restricted net position.

The Institution uses a conservative approach for endowment management by using a hybrid combination of the total return concept for income and gains/losses, and the classical trust method that protects the corpus of the endowments. Annual payouts from the Institution's endowment funds are based on a spending policy which limits annual endowed scholarship spending as 4% of the three-year moving average of the endowment fair market value. To the extent that the total return for the current year exceeds payout, the excess is added to restricted expendable net position. If total payouts exceed total return, prior years' net appreciation is reduced.

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

NOTE 10: LEASE OBLIGATIONS

The Institution is obligated under various capital and operating leases for the acquisition or use of real property and equipment.

CAPITAL LEASES

The Institution acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. §50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution's principal and interest expenditures related to capital leases for fiscal year 2018 were $11,016,113 and $11,616,301, respectively. Interest rates range from 2.999% to 13.159%

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

Description		Gross Amount		Accumulated Depreciation		Net Assets Held Under Capital Lease at June 30, 2018		Outstanding Balances per Lease Schedules at June 30, 2018
		(+)		(-)		(=)		
Land and Land Improvements	$	12,024,271	$	-	$	12,024,271	$	10,490,472
Equipment		1,522,007		752,961		769,046		820,018
Buildings and Building Improvements		298,934,923		105,147,890		193,787,033		231,780,517
Total Assets Held Under Capital Lease	$	312,481,201	$	105,900,851	$	206,580,350	$	243,091,007

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

CAPITAL LEASE SCHEDULE

Description	Lessor		Original Principal	Lease Term	Begin Date	End Date		Principal Balance at June 30, 2018	
PPV3901001 - Southern Courtyard	Georgia Southern University Housing Foundation, Inc.	$	18,296,060	27 years	September 2003	September 2030	$	11,142,275	(1)
PPV3901002 - Southern Pines	Georgia Southern University Housing Foundation, Inc.		24,371,99	27 years	September 2003	September 2030		14,842,509	(1)
PPV3902000 - Eagle Village	Georgia Southern University Housing Foundation, Inc.		30,179,998	25 years	August 2005	July 2030		18,764,060	(1)
PPV3903001 - J.I. Clements Baseball Stadium	Georgia Southern University Housing Foundation, Inc.		2,230,350	24 years	August 2005	July 2029		1,355,7	(1)
PPV3903002 - Athletic Training Center (Ironworks)	Georgia Southern University Housing Foundation, Inc.		694,056	24 years	August 2005	July 2029		421,61	(1)
PPV3903003 - Soccer and Track	Georgia Southern University Housing Foundation, Inc.		1,677,44	24 years	August 2005	July 2029		1,018,53	(1)
PPV3904001 - Recreation Activity Center (RAC)	Georgia Southern University Housing Foundation, Inc.		28,884,853	15 years	November 2015	June 2030		24,381,375	(1)
PPV3905000 - Centennial Place	Georgia Southern University Housing Foundation, Inc.		47,614,865	22 years	August 2017	July 2039		46,366,032	(1)
PPV3906000 - Campus Courtyard (University Villas)	Georgia Southern University Housing Foundation, Inc.		11,969,19	21 years	August 2017	July 2038		11,656,07	(1)
PPV3907000 - Freedom's Landing	Georgia Southern University Housing Foundation, Inc.		34,599,940	29 years	July 2012	June 2041		33,103,11	(1)
PPV3908000 - Dining Commons Lakeside	Georgia Southern University Housing Foundation, Inc.		7,851,91	29 years	August 2013	June 2042		7,446,143	(1)
PPV3909000 - Dining Commons (Landrum)	Georgia Southern University Housing Foundation, Inc.		18,321,14	29 years	August 2013	June 2042		17,218,08	(1)
PPV3910000 - Football Stadium Expansion	Georgia Southern University Athletic Foundation, Inc.		10,168,72	29 years	August 2014	June 2043		9,910,362	(1)
PPV3911000 - Football Operations Center	Georgia Southern University Athletic Foundation, Inc.		10,830,102	29 years	October 2014	June 2043		10,395,509	(1)
Equipment	Various		1,522,00	36-60 months	March 2013	June 2021		820,018	
Armstrong Center	Georgia Southern University Housing Foundation, Inc.		12,531,52	19 years	May 2016	May 2035		11,611,3	(1)
Student Union	Georgia Southern University Housing Foundation, Inc.		23,517,138	23 years	October 2016	June 2039		22,638,188	(1)
Total Leases		$	285,261,309				$	243,091,007	

(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 Institution leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution operating lease expense for fiscal year 2018 totaled $1,100,803, which includes payments to related parties of $773,179. The Institution is obligated to pay these related parties a total of $796,374 in the next fiscal year.

FUTURE COMMITMENTS

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:

	Capital Leases	Operating Leases
Year Ending June 30:		
2019	$ 22,394,934	$ 1,136,126
2020	22,435,013	895,292
2021	22,287,062	917,454
2022	22,219,307	96,819
2023	22,257,576	1,970
2024 - 2028	112,676,984	8,914
2029 - 2033	90,038,894	-
2034 - 2038	71,724,754	-
2039 - 2043	29,299,537	-
Total Minimum Lease Payments	$ 415,334,061	$ 3,056,575
Less: Interest	128,277,264	
Less: Executory Costs	43,965,790	
Principal Outstanding	$ 243,091,007	

NOTE 11: RETIREMENT PLANS

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

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

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

Summary of Significant Accounting Policies

Pensions: 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 fiduciary net position of the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. 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.

General Information about the Teachers Retirement System

Plan description: All teachers of the Institution 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 www.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 6.00 % of their annual pay during fiscal year 2018. The Institution's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual Institution payroll. Institution contributions to TRS were $15,397,841 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 www.ers.ga.gov/formspubs/formspubs.

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. 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 Institution contributions to ERS totaled $95,019 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 Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 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 Institution'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 Institution's TRS proportion was 0.785964%, which was an increase of 0.010014% from its proportion measured as of June 30, 2016. At June 30, 2017, the Institution's ERS proportion was 0.017447%, which was an increase of 0.003300% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Institution recognized pension expense of $17,702,002 for TRS and $85,316 for ERS. At June 30, 2018, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,464,061	$ 551,267	$ 7,764	$ 5
Changes of assumptions	3,202,119	-	1,613	-
Net difference between projected and actual earnings on pension plan investments	-	1,005,232	-	1,764
Changes in proportion and differences between contributions and proportionate share of contributions	4,059,292	472,994	107,727	23,671
Contributions subsequent to the measurement date	15,397,841	-	95,019	-
Total	$ 28,123,313	$ 2,029,493	$ 212,123	$ 25,440

The Institution contributions subsequent to the measurement date of $15,397,841 for TRS and $95,019 for ERS 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	$ 750,984	$ 43,597
2020	$ 8,784,836	$ 60,203
2021	$ 4,416,459	$ 7,955
2022	$ (3,378,599)	$ (20,091)
2023	$ 122,299	$ -

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 requirements 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 the 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 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%	13.5%
International developed market equities	19.40%	17.80%	8.00%
International emerging market equities	5.60%	5.20%	12.00%
Alternatives	0.00%	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 Institution proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Institution 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	$ 239,724,294	$ 146,073,830	$ 68,926,897

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 1,000,127	$ 708,581	$ 459,883

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 www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs, respectively.

B. Defined Contribution Plan

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. §47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. §47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four 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 for 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 Institution and the covered employees made the required contributions of $8,218,624 (9.24%) and $5,336,770 (6%), respectively.

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

NOTE 12: RISK MANAGEMENT

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

The Institution's participating employees and retirees pay premiums to 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 healthcare exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

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

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

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

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

NOTE 13: CONTINGENCIES

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

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

NOTE 14: 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 O.C.G.A. §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 O.C.G.A §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 that 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 Institution's membership in the Plan consisted of the following at June 30, 2018:

Active Employees	3,188
Retirees or Beneficiaries Receiving Benefits	964
Retirees Receiving Life Insurance Only	185
Total	4,337

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 Institution 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 Institution contributed $10,031,368 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 Institution 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 Institution 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 Institution proportion was 6.467366%, which was a decrease of (0.047033)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Institution recognized OPEB expense of $19,281,996. At June 30, 2018, the Institution 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	$ 6,622,767	$ -
Changes of assumptions	-	18,687,838
Net difference between projected and actual earnings on OPEB plan investments	8,598	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,643,300
Contributions subsequent to the measurement date	10,031,368	-
Total	$ 16,662,733	$ 20,331,138

The Institution's contributions subsequent to the measurement date of $10,031,368 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	$ (2,767,219)
2020	$ (2,767,219)
2021	$ (2,767,219)
2022	$ (2,767,219)
2023	$ (2,630,897)

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 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 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 Institution proportionate share of the net OPEB liability, as well as what the Institution 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% (4.58%) higher 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	$ 326,015,933	$ 272,905,117	$ 231,501,603

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

The following presents the Institution proportionate share of the net OPEB liability, as well as what the Institution proportionate shares 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	$ 230,206,231	$ 272,905,117	$ 329,318,087
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 www.usg.edu/fiscal_affairs/financial_reporting.

NOTE 15: MERGER

In January 2018, Armstrong State University merged into Georgia Southern University. This merger was initiated by the Board of Regents of the University System of Georgia in an effort to streamline operations. Ending balances at June 30, 2017 for Armstrong State University are recognized in Georgia Southern University's July 1, 2017 beginning net position balance. No adjustments were made to Armstrong State University's June 30, 2017 balances as a result of the merger. The initial opening balances of Georgia Southern's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Georgia Southern University and Armstrong State University as of June 30, 2017, as follows:

GEORGIA SOUTHERN UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2018

ASSETS	Georgia Southern University	Armstrong State Univeristy	Total
Current Assets			
Cash and Cash Equivalents	$ 47,241,926	$ 19,225,870	$ 66,467,796
Accounts Receivable, Net			
Federal Financial Assistance	9,100,986	963,951	10,064,937
Affiliated Organizations	2,679,200	10,613	2,689,813
Receivables - Other	4,847,216	3,047,068	7,894,284
Inventories	3,870,190		3,870,190
Prepaid Items	120,828	3,217,146	3,337,974
Total Current Assets	67,860,346	26,464,648	94,324,994
Noncurrent Assets			
Accounts Receivable, Net			
Affiliated Organizations	3,096,400		3,096,400
Due from USO - Capital Liability Reserve Fund	1,778,721	220,862	1,999,583
Investments	3,514,532	25,500	3,540,032
Non-current Cash (Externally Restricted)		155,999	155,999
Investments (Externally Restricted)	2,465,814	3,353,119	5,818,933
Investments (Externally Restricted)	2,284,467		2,284,467
Capital Assets, Net	544,814,556	107,401,784	652,216,340
Total Noncurrent Assets	557,954,490	111,157,264	669,111,754
TOTAL ASSETS	625,814,836	137,621,912	763,436,748
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,927,101	8,819,824	44,746,925
LIABILITIES			
Current Liabilities			
Accounts Payable	6,049,138	320,867	6,370,005
Salaries Payable	1,694,738	262,711	1,957,449
Benefits Payable	538,329	170,638	708,967
Contracts Payable	1,612,900	160,690	1,773,590
Retainage Payable	250,100	12,325	262,425
Advances (Including Tuition and Fees)	7,002,707	2,867,105	9,869,812
Deposits	841,222	41,822	883,044
Deposits Held for Other Organizations	1,413,543	935,541	2,349,084
Other Liabilities	510	90,557	91,067
Lease Purchase Obligations - Affiliated Orgaizations	362,762		362,762
Lease Purchase Obligations - Component Units	7,377,366	1,238,420	8,615,786
Compensated Absences	5,191,853	1,388,670	6,580,523
Due to Affiliated Organization	413,854		413,854
Notes and Loans Payable	138,559		138,559
Total Current Liabilities	32,887,581	7,489,346	40,376,927
Non-current Liabilities			
Lease Purchase Obligations - Affiliated Orgaizations	651,037		651,037
Lease Purchase Obligations - Component Units	211,599,026	37,419,782	249,018,808
Compensated Absences	2,036,051	595,144	2,631,195
Net Pension Liability	129,274,638	31,481,710	160,756,348
Notes and Loans Payable	1,109,449		1,109,449
Total Noncurrent Liabilities	344,670,201	69,496,636	414,166,837
TOTAL LIABILITIES	377,557,782	76,985,982	454,543,764
TOTAL DEFERRED INFLOWS OF RESOURCES	3,415,698	3,866,166	7,281,864
NET POSITION			
Net Investment in Capital Assets	319,347,566	66,426,293	385,773,859
Restricted for:			
Nonexpendable	2,465,814	3,479,659	5,945,473
Expendable	7,937,634	323,107	8,260,741
Unrestricted	(48,982,557)	(4,639,471)	(53,622,028)
TOTAL NET POSITION	$ 280,768,457	$ 65,589,588	$ 346,358,045

SUPPLEMENTARY INFORMATION

SCHEDULE "1"

GEORGIA SOUTHERN UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2018

ASSETS		
Cash and Cash Equivalents	$	33,171,484.59
Investments		3,264,203.78
Accounts Receivable		
Federal Financial Assistance		5,464,223.97
Other		13,655,888.52
Prepaid Expenditures		219,323.01
Inventories		36,423.21
Other Assets		648,183.37
Total Assets	$	56,459,730.45
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	1,486,823.93
Encumbrances Payable		26,939,050.49
Accounts Payable		558,259.05
Unearned Revenue		7,594,888.09
Total Liabilities		36,579,021.56
Fund Balances		
Reserved		
Department Sales and Services		8,311,205.81
Indirect Cost Recoveries		3,202,651.16
Technology Fees		925,483.79
Restricted/Sponsored Funds		6,760,405.24
Uncollectible Accounts Receivable		491,237.58
Tuition Carry-Over		107,811.58
Inventories		50,000.00
Unreserved		
Surplus		31,913.73
Total Fund Balances		19,880,708.89
Total Liabilities and Fund Balances	$	56,459,730.45

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary status and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA SOUTHERN UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2018

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	$ 133,236,816.00	$ 133,236,816.00	$ 133,677,289.00	$ 133,677,289.00
Other Funds	237,562,154.00	237,562,154.00	271,844,436.00	250,776,143.36
Total Operating Activity	$ 370,798,970.00	$ 370,798,970.00	$ 405,521,725.00	$ 384,453,432.36

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Funds Available Compared to Budget			Expenditures Compared to Budget		Excess of Funds
Prior Year Carry-Over	Total Funds Available	Variance Negative	Actual	Variance Positive	Available Over Expenditures
$ -	$ 133,677,289.00	$ -	$ 133,677,289.00	$ -	$ -
21,489,631.99	272,265,775.35	421,339.35	252,803,458.78	19,040,977.22	19,462,316.57
$ 21,489,631.99	$ 405,943,064.35	$ 421,339.35	$ 386,480,747.78	$ 19,040,977.22	$ 19,462,316.57

GEORGIA SOUTHERN UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCES BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2018

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Period Adjustments
Special Funding Initiatives				
State Appropriation				
State General Funds	$ 2.64	$ -	$ (2.64)	$ -
Teaching				
State Appropriation				
State General Funds	28,728.37	-	(28,728.37)	25,611.84
Other Funds	21,571,151.55	(21,489,631.99)	(81,519.56)	(69,002.56)
Total Teaching	21,599,879.92	(21,489,631.99)	(110,247.93)	(43,390.72)
Total Operating Activity	21,599,882.56	(21,489,631.99)	(110,250.57)	(43,390.72)
Prior Year Reserves				
Not Available for Expenditure				
Inventories	46,000.00	-	-	-
Uncollectible Accounts Receivable	415,783.04	-	-	-
Budget Unit Totals	$ 22,061,665.60	$ (21,489,631.99)	$ (110,250.57)	$ (43,390.72)

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and statutes and regulations of the State of Georgia, which is a special purpose framework.

Other Adjustments	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ -	$ -	$ -	$ -	$ -	$ -
(4,000.00)	-	21,611.84	-	21,611.84	21,611.84
(75,454.54)	19,462,316.57	19,317,859.47	19,307,557.58	10,301.89	19,317,859.47
(79,454.54)	19,462,316.57	19,339,471.31	19,307,557.58	31,913.73	19,339,471.31
(79,454.54)	19,462,316.57	19,339,471.31	19,307,557.58	31,913.73	19,339,471.31
4,000.00	-	50,000.00	50,000.00	-	50,000.00
75,454.54	-	491,237.58	491,237.58	-	491,237.58
$ -	$ 19,462,316.57	$ 19,880,708.89	$ 19,848,795.16	$ 31,913.73	$ 19,880,708.89

Summary of Ending Fund Balance	Reserved	Surplus	Total
Reserved			
Department Sales and Services	$ 8,311,205.81	$ -	$ 8,311,205.81
Indirect Cost Recoveries	3,202,651.16	-	3,202,651.16
Technology Fees	925,483.79	-	925,483.79
Restricted/Sponsored Funds	6,760,405.24	-	6,760,405.24
Uncollectible Accounts Receivable	491,237.58	-	491,237.58
Tuition Carry-Over	107,811.58	-	107,811.58
Inventories	50,000.00	-	50,000.00
Unreserved			
Surplus	-	31,913.73	31,913.73
Total Ending Fund Balance - June 30	$ 19,848,795.16	$ 31,913.73	$ 19,880,708.89

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA SOUTHERN UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001 Monitoring of Logical Access Controls

Compliance Requirement:	Activities Allowed or Unallowed Eligibility
Internal Control Impact:	Material Weakness
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster Program
Federal Award Number:	P268K171292 (Year: 2017)
Questioned Cost:	$14,114.00

Finding Status: Previously Report Corrective Action Plan Implemented

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

The auditor is required to communicate to management and those charged with governance control deficiencies identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal control deficiencies identified during the course of this engagement that were considered to be significant deficiencies and/or material weaknesses are presented below:

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

No matters were reported.