ALBANY STATE UNIVERSITY
ALBANY, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2019

A Member Institution of the
University System of Georgia

ALBANY STATE UNIVERSITY

- TABLE OF CONTENTS -

SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

September 12, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Mrs. Marion Ross Fedrick, President
Albany State University

Ladies and Gentlemen:

This Management Report contains information pertinent to the Albany State 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, 2019. Additionally, we audited Albany State University's Federal Student Aid programs for the year ended June 30, 2019 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 Albany State University to support our audit of the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit* Report pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2019.

This report is intended solely for the information and use of the management of Albany State 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

(This page left intentionally blank)

SELECTED FINANCIAL INFORMATION

ALBANY STATE UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2019

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 7,494,244
Cash and Cash Equivalents (Externally Restricted)	3,634,256
Accounts Receivable, Net	
Federal Financial Assistance	1,807,822
Other	2,642,145
Prepaid Items	169,390
Total Current Assets	15,747,857
Noncurrent Assets	
Accounts Receivable, Net	
Due From USO - Capital Liability Reserve Fund	801,382
Notes Receivable, Net	58,514
Capital Assets, Net	210,482,749
Total Noncurrent Assets	211,342,645
Total Assets	227,090,502
Deferred Outflows of Resources	15,628,572
LIABILITIES	
Current Liabilities	
Accounts Payable	1,308,683
Salaries Payable	338,226
Benefits Payable	127,348
Contracts Payable	83,608
Retainage Payable	56,294
Advances (Including Tuition and Fees)	5,231,015
Deposits	307,519
Deposits Held for Other Organizations	1,460,127
Lease Purchase Obligations	3,094,538
Claims and Judgements	2,016,276
Compensated Absences	1,572,646
Total Current Liabilities	15,596,280
Noncurrent Liabilities	
Lease Purchase Obligations	96,556,173
Claims and Judgements	2,842,170
Compensated Absences	854,483
Net Other Post Employment Benefits Liability	64,604,668
Net Pension Liability	41,783,205
Total Noncurrent Liabilities	206,640,699
Total Liabilities	222,236,979
Deferred Inflows of Resources	28,734,401
NET POSITION	
Net Investment in Capital Assets	107,978,535
Restricted for:	
Nonexpendable	
Expendable	125,143
Unrestricted (Deficit)	(116,355,984)
Total Net Position	$ (8,252,306)

ALBANY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2019

EXHIBIT "B"

OPERATING REVENUES		
Student Tuition and Fees (Net)	$	17,293,430
Grants and Contracts		
Federal		9,152,151
State		663,657
Other		845,637
Sales and Services		723,599
Auxiliary Enterprises (Net)		
Residence Halls		12,312,076
Bookstore		268,111
Food Services		6,892,862
Parking /Transportation		331,991
Health Services		357,264
Intercollegiate Athletics		1,755,052
Other Organizations		496,780
Other Operating Revenues		1,869,703
Total Operating Revenues		52,962,313
OPERATING EXPENSES		
Faculty Salaries		16,997,755
Staff Salaries		23,659,494
Employee Benefits		14,138,210
Other Personal Services		545,059
Travel		634,478
Scholarships and Fellowships		8,641,935
Utilities		4,273,705
Supplies and Other Services		25,867,633
Depreciation		9,743,555
Total Operating Expenses		104,501,824
Operating Loss		(51,539,511)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		30,220,359
Grants and Contracts		
Federal		19,784,569
Gifts		764,802
Investment Income (Endowments, Auxiliary and Other)		31,635
Interest Expense (Capital Assets)		(5,834,394)
Other Nonoperating Revenues (Expenses)		(5,446,557)
Net Nonoperating Revenues		39,520,414
Loss Before Other Revenues, Expenses, Gains, or Losses		(12,019,097)
Capital Grants and Gifts		
State		404,919
Change in Net Position		(11,614,178)
Net Position - Beginning of Year		3,361,872
Net Position - End of Year	$	(8,252,306)

ALBANY STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2019

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 42,347,885
Grants and Contracts (Exchange)	11,478,662
Payments to Suppliers	(43,105,529)
Payments to Employees	(41,434,580)
Payments for Scholarships and Fellowships	(8,641,935)
Loans Issued to Students	(2,269)
Net Cash Used by Operating Activities	(39,357,766)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	30,220,359
Agency Funds Transactions - Receipts	178,511,141
Agency Funds Transactions - Disbursements	(179,114,146)
Gifts and Grants Received for Other than Capital Purposes	21,891,012
Other Non-Capital Financing Payments	(5,294,523)
Net Cash Flows Provided by Non-Capital Financing Activities	46,213,843
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	495,741
Purchases of Capital Assets	(1,205,929)
Principal Paid on Capital Debt and Leases	(2,587,658)
Interest Paid on Capital Debt and Leases	(5,894,537)
Net Cash Used by Capital and Related Financing Activities	(9,192,383)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	31,635
Net Decrease in Cash and Cash Equivalents	(2,304,671)
Cash and Cash Equivalents - Beginning of Year	13,433,171
Cash and Cash Equivalents - End of Year	$ 11,128,500

ALBANY STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2019

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(51,539,511)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Depreciation		9,743,555
Change in Assets and Liabilities:		
Receivables, Net		320,223
Prepaid Items		(128,775)
Notes Receivable, Net		(2,269)
Accounts Payable		(96,389)
Salaries Payable		(27,315)
Benefits Payable		(110)
Contracts Payable		53,026
Retainage Payable		(51,400)
Deposits		(5,230)
Advances (Including Tuition and Fees)		504,540
Compensated Absences		(125,406)
Claims and Judgements		4,858,446
Net Pension Liability		(4,131,286)
Other Post-Employment Benefit Liability		(2,625,946)
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		7,913,028
Deferred Outflows of Resources		(4,016,947)
Net Cash Used by Operating Activities	$	(39,357,766)
NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	$	105,887
Loss on Disposal of Capital Assets	$	(152,033)
Accrual of Capital Asset Related Payables	$	56,294
Capital Assets Acquired by Incurring Capital Lease Obligations	$	148,955
Deferred Gain on Capital Debt Refunds	$	1,752,615
Amortization of Deferred Gain of Capital Debt Refunded	$	60,143

(This page left intentionally blank)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019, 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.

BASIS OF 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-fund transactions have been eliminated.

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2019, the Institution adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The adoption of this statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2019, the Institution adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The adoption of this statement does not have a significant impact on the Institution's financial statements.

NET POSITION

The Institution's net position is classified as follows:

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

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

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the governing board 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 Institution's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2019 are classified in the accompanying statement of net position as follows:

Statement of Net Position		
Current		
Cash and Cash Equivalents	$	7,494,244
Cash and Cash Equivalents (Externally Restricted)		3,634,256
	$	11,128,500

Cash on hand, deposits and investments as of June 30, 2019 consist of the following:

Cash on Hand	$	3,395
Deposits with Financial Institutions		10,678,857
Investments		446,248
	$	11,128,500

DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the 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 Institution 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, 2019, the bank balances of the Institution’s deposits totaled $11,738,701. Of these deposits, $0 were exposed to custodial credit risk.

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 the 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 is 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, 2019 was $446,248, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.63 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 since its investment are part of the Board of Regents investment pool.

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 since its investments are part of the Board of Regents investment pool.

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's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds, colleges, universities, and foundations:

1. In the Short-Term Fund and Legal Fund, all debt issues must be eligible investments under O.C.G.A §50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.

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 Institution does not have a formal policy for managing credit quality risk for investments since its investments are part of the Board of Regents investment pool.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

Student Tuition and Fees	$ 3,840,595
Auxiliary Enterprises and Other Operating Activities	2,222,108
Federal Financial Assistance	1,807,822
Georgia Student Finance Commission	1,184,322
Georgia State Financing and Investment Commission	105,887
Due from Other USG Institutions	918,117
Other	595,336
	10,674,187
Less Allowance for Doubtful Accounts	5,422,838
Net Accounts Receivable	$ 5,251,349

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 3,911,479	$ -	$ -	$ 3,911,479
Capitalized Collections	50,000	-	-	50,000
Total Capital Assets, Not Being Depreciated	3,961,479	-	-	3,961,479
Capital Assets, Being Depreciated:				
Infrastructure	14,112,338	-	-	14,112,338
Building and Building Improvements	317,860,223	-	-	317,860,223
Facilities and Other Improvements	8,559,829	-	68,569	8,491,260
Equipment	19,145,371	1,399,203	344,109	20,200,465
Library Collections	10,125,511	11,974	127	10,137,358
Total Capital Assets Being Depreciated/Amortized	369,803,272	1,411,177	412,805	370,801,644
Less: Accumulated Depreciation:				
Infrastructure	5,385,812	300,224	-	5,686,036
Building and Building Improvements	119,053,134	7,710,245	-	126,763,379
Facilities and Other Improvements	5,904,377	139,743	64,780	5,979,340
Equipment	14,726,410	1,474,132	195,865	16,004,677
Library Collections	9,727,858	119,211	127	9,846,942
Total Accumulated Depreciation	154,797,591	9,743,555	260,772	164,280,374
Total Capital Assets, Being Depreciated, Net	215,005,681	(8,332,378)	152,033	206,521,270
Capital Assets, Net	$ 218,967,160	$ (8,332,378)	$ 152,033	$ 210,482,749

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

Fiscal Year		Depreciation Expense
2019	$	9,743,555
2018	$	9,851,395
2017	$	9,523,156

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

Advances, including tuitions and fees consisted of the following at June 30, 2019:

		Current Liabilities
Prepaid Tuition and Fees	$	1,527,021
Research		3,666,624
Other - Advances		37,370
Total	$	5,231,015

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liability for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Leases					
Lease Obligations	$ 103,842,031	$ 24,510,673	$ 28,701,993	$ 99,650,711	$ 3,094,538
Other Liabilities					
Compensated Absences	2,552,535	1,661,066	1,786,472	2,427,129	1,572,646
Claims and Judgments	-	5,270,030	411,584	4,858,446	2,016,276
Total	2,552,535	6,931,096	2,198,056	7,285,575	3,588,922
Total Long-Term Obligations	$ 106,394,566	$ 31,441,769	$ 30,900,049	$ 106,936,286	$ 6,683,460

See Note 11, Retirement Plans, for information related to net pension liability. See Note 14, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post-employment benefits liability.

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, 2019 and June 30, 2018, consisted of the following:

	Fiscal Year 2018	Fiscal Year 2019
Deferred Outflow of Resources		
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	$ 7,657,587	$ 8,902,951
Deferred Loss on OPEB Plan (See Note 14)	3,954,038	6,725,621
Total Deferred Outflows of Resources	$ 11,611,625	$ 15,628,572
Deferred Inflow of Resources		
Deferred Gain on Debt Refunding	$ 1,104,736	$ 2,797,209
Deferred Gain on Defined Benefit Pension Plans (See Note 11)	8,410,913	9,855,336
Deferred Gain on OPEB Plan (See Note 14)	9,613,251	16,081,856
Total Deferred Inflows of Resources	$ 19,128,900	$ 28,734,401

NOTE 8: NET POSITION

The breakdown of business-type activity net position for the Institution at June 30, 2019 is as follows:

Net Investment in Capital Assets	$ 107,978,535
Restricted for	
Expendable	
Sponsored and Other Organized Activities	40,889
Federal Loans	84,254
Sub-Total	125,143
Unrestricted	
Auxiliary Operations	(4,923,909)
Auxiliary Enterprises Renewals and Replacement Reserve	4,713,889
Reserve for Encumbrances	1,302,393
Capital Liability Reserve Fund	801,382
Other Unrestricted	(118,249,739)
Sub-Total	(116,355,984)
Total Net Position	$ (8,252,306)

Changes in Net Position for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Net Investment in Capital Assets	$ 114,020,393	$ 30,113,170	$ 36,155,028	$ 107,978,535
Restricted Net Position	208,527	30,850,933	30,934,317	125,143
Unrestricted Net Position	(110,867,048)	73,317,664	78,806,600	(116,355,984)
Total Net Position	$ 3,361,872	$ 134,281,767	$ 145,895,945	$ (8,252,306)

NOTE 9: ENDOWMENTS

The Institution did not have donor restricted endowments at June 30, 2019.

NOTE 10: LEASES

The Institution is obligated under various capital and operating leases for the 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 payments related to capital leases for fiscal year 2019 were $2,544,407 and $5,894,538, respectively. Interest rates range from 3.25% to 5.93%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2019:

Description	Gross Amount	Accumulated Depreciation	Net Assets Held Under Capital Lease at June 30, 2019	Outstanding Balances per Lease Schedules at June 30, 2019
	(+)	(-)	(=)	
Equipment	$ 1,125,270	$ 816,431	$ 308,839	$ 281,860
Buildings and Building Improvements	122,648,173	35,811,482	86,836,691	99,368,851
Total Assets Held Under Capital Lease	$ 123,773,443	$ 36,627,913	$ 87,145,530	$ 99,650,711

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

Description	Lessor		Original Principal	Lease Term	Begin Month/Year	End Month/Year		Outstanding Principal
Student Housing H1-H4	USG Foundation	$	24,361,718	15 years	6/2019	5/2034	$	24,361,718 (1)
Student Housing H5-H6	ASU Foundation		23,376,899	30 years	8/2011	6/2040		20,554,079 (1)
Student Recreation CTR	ASU Foundation		16,063,460	30 years	8/2011	6/2040		14,127,020 (1)
Darton Student Center	USG Foundation		20,173,433	25 years	7/2015	6/2040		19,020,796 (1)
Darton Commons	Darton Capital Projects LLC		10,697,505	30 years	12/2010	6/2041		9,443,278 (1)
Darton Village South	Darton Capital Projects LLC		12,684,849	30 years	7/2011	6/2041		11,861,960 (1)
Vehicles	Enterprise FM		269,640	4 years	5/2018	6/2023		139,278
Vehicles	Enterprise FM		148,955	4 years	6/2019	5/2023		142,582
Total Leases		$	107,776,459				$	99,650,711

(1) These capital leases are related party transactions.

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

OPERATING LEASES

The Institution leases facilities and office and computer equipment. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriations from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution's operating lease expense for fiscal year 2019 was $105,702, which includes payments to related parties of $24,000. The Institution is obligated to pay these related parties a total of $24,000 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, 2019, are as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2020	$ 8,271,040	$ 64,872
2021	8,377,241	129
2022	8,452,002	-
2023	8,404,328	-
2024	8,395,238	-
2025 - 2029	42,025,295	-
2030 - 2034	42,169,391	-
2035 - 2039	31,979,389	-
2040 - 2044	4,408,340	-
Total Minimum Lease Payments	$ 162,482,264	$ 65,001
Less: Interest	62,831,553	
Principal Outstanding	$ 99,650,711	

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 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 Institution also provides one other retirement plan - the Regents Retirement Plan.

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

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

General Information about the Teachers Retirement System

Plan description

All teachers of the Institution as defined in 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 2019. The Institution's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual Institution payroll. The Institution's contributions to TRS totaled $5,390,422 for the year ended June 30, 2019.

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, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustments for the HB 751 one time benefit adjustment of 3% to retired state employees. Institution's contributions to ERS totaled $48,946 for the year ended June 30, 2019. 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, 2019, 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, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018. At June 30, 2018, the

Institution's TRS proportion was 0.223471%, which was a decrease of 0.021910% from its proportion measured as of June 30, 2017. At June 30, 2018, the Institution's ERS proportion was 0.007351%, which was a decrease of 0.000274% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized pension expense of $1,390,789 for TRS and $116,532 for ERS. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,746,101	$ 85,493	$ 9,399	$ -
Changes of assumptions	625,933	-	14,238	-
Net difference between projected and actual earnings on pension plan investments	-	1,134,171	-	6,964
Changes in proportion and differences between contributions and proportionate share of contributions	-	8,600,994	67,912	27,714
Contributions subsequent to the measurement date	5,390,422	-	48,946	-
Total	$ 8,762,456	$ 9,820,658	$ 140,495	$ 34,678

The Institution's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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
2020	$ (744,176)	$ 65,457
2021	$ (1,605,290)	$ 6,102
2022	$ (3,168,657)	$ (11,577)
2023	$ (893,744)	$ (3,111)
2024	$ (36,757)	$ -

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 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, 2017 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	7.30%, 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, 2017 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 pension liability was 7.50% and ERS pension liability was 7.30%. 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's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution's proportionate share of the net pension liability, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher 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	$ 69,243,674	$ 41,481,004	$ 18,603,152

Employees' Retirement System:

	1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
Proportionate share of the net pension liability	$ 429,838	$ 302,202	$ 193,453

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 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 2019, 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 $921,534 (9.24%) and $598,668 (6.00%), 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 three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The Institution's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program.

Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The 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 Institution is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

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

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

NOTE 13: CONTINGENCIES

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

Litigation, claims and assessments filed against the Institution, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

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 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 2019, 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, 2019:

Active Employees	648
Retirees or Beneficiaries Receiving Benefits	310
Retirees Receiving Life Insurance Only	73
Total	1,031

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 2019 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. 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 2019, the Institution contributed $2,206,814 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, 2019, the Institution reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2018. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Institution's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the Institution's proportion was 1.464709%, which was a decrease of 0.128537% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized OPEB expense of $3,277.892. At June 30, 2019, 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	$ 4,505,022	$ -
Changes of assumptions	-	7,252,519
Net difference between projected and actual earnings on OPEB plan investments	13,785	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	8,829,337
Contributions subsequent to the measurement date	2,206,814	-
Total	$ 6,725,621	$ 16,081,856

The Institution's contributions subsequent to the measurement date of $2,206,814 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, 2020. 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:		
2020	$	(2,489,706)
2021	$	(2,489,706)
2022	$	(2,489,706)
2023	$	(2,411,994)
2024	$	(929,248)
Thereafter	$	(752,689)

Actuarial assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of May 1, 2018 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 6/30/2018 3.87% from Bond Buyer Index Interest Rate as of 6/30/2017 3.58% from Bond Buyer Index Long-Term Rate of Return 4.50% General Inflation 2.50% Salary Growth 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	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	Based on experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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 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, 2018 are summarized in the following table:

Asset Class	Expected Return	Target Allocation
Fixed Income	1.10%	70%
Equity Allocation	3.98%	30%

Discount rate

The Plan's projected fiduciary net position at the end of 2022 is $0, based on the valuation completed for the fiscal year ending June 30, 2018. 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 2022. 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, 2018. 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 3.87% from the Bond Buyer.

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

The following presents the Institution's proportionate share of the net OPEB liability, as well as what the Institution's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% (4.87%) higher than the current discount rate (3.87%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Proportionate Share of the Net OPEB Liability	$ 77,077,385	$ 64,604,668	$ 54,849,841

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

The following presents the Institution's proportionate share of the net OPEB liability, as well as what the Institution's 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	$ 54,478,166	$ 64,604,668	$ 77,928,356
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

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.

SUPPLEMENTARY INFORMATION

ALBANY STATE UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2019

SCHEDULE "1"

ASSETS		
Cash and Cash Equivalents	$	5,445,786.06
Accounts Receivable		
Federal Financial Assistance		1,806,061.11
Other		5,026,877.35
Prepaid Expenditures		168,374.05
Other Assets		97,500.00
Total Assets	$	12,544,598.57
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	287,528.68
Encumbrances Payable		948,242.10
Accounts Payable		202,283.83
Unearned Revenue		5,009,719.57
Total Liabilities		6,447,774.18
Fund Balances		
Reserved		
Department Sales and Services		599,986.55
Indirect Cost Recoveries		1,053,055.52
Technology Fees		1,045,462.91
Uncollectible Accounts Receivable		3,110,774.99
Tuition		211,672.10
Unreserved		
Surplus		75,872.32
Total Fund Balances		6,096,824.39
Total Liabilities and Fund Balances	$	12,544,598.57

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.

ALBANY STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2019

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	$ 30,252,949.00	$ 30,252,949.00	$ 30,285,573.00	$ 30,285,573.00
Other Funds	60,790,185.00	60,790,185.00	71,741,691.00	61,340,874.18
Total Operating Activity	$ 91,043,134.00	$ 91,043,134.00	$ 102,027,264.00	$ 91,626,447.18

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 Available
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Negative	Actual	Variance Positive	Over Expenditures
$ -	$ -	$ 30,285,573.00	$ -	$ 30,285,573.00	$ -	$ -
3,352,372.94	-	64,693,247.12	(7,048,443.88)	61,520,145.76	10,221,545.24	3,173,101.36
$ 3,352,372.94	$ -	$ 94,978,820.12	$ (7,048,443.88)	$ 91,805,718.76	$ 10,221,545.24	$ 3,173,101.36

ALBANY STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2019

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	$ 10,200.58	$ -	$ (10,200.58)	$ 69,933.09
Other Funds	3,352,399.94	(3,352,372.94)	(27.00)	68,924.99
Total Teaching	3,362,600.52	(3,352,372.94)	(10,227.58)	138,858.08
Prior Year Reserves				
Not Available for Expenditure				
Inventories				
Uncollectible Accounts Receivable	2,839,851.25	-	-	-
Budget Unit Totals	$ 6,202,451.77	$ (3,352,372.94)	$ (10,227.58)	$ 138,858.08

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.

Other Adjustments	Early Return Fiscal Year 2019 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ -	$ (19,123.36)	$ -	$ 50,809.73	$ -	$ 50,809.73	$ 50,809.73
(270,923.74)	(35,862.94)	3,173,101.36	2,935,239.67	2,910,177.08	25,062.59	2,935,239.67
(270,923.74)	(54,986.30)	3,173,101.36	2,986,049.40	2,910,177.08	75,872.32	2,986,049.40
270,923.74	-	-	3,110,774.99	3,110,774.99	-	3,110,774.99
$ -	$ (54,986.30)	$ 3,173,101.36	$ 6,096,824.39	$ 6,020,952.07	$ 75,872.32	$ 6,096,824.39

	Reserved	Surplus	Total
Department Sales and Services	$ 599,986.55	$ -	$ 599,986.55
Indirect Cost Recoveries	1,053,055.52	-	1,053,055.52
Technology Fees	1,045,462.91	-	1,045,462.91
Uncollectible Accounts Receivable	3,110,774.99	-	3,110,774.99
Tuition	211,672.10	-	211,672.10
Surplus	-	75,872.32	75,872.32
Total Ending Fund Balance - June 30	$ 6,020,952.07	$ 75,872.32	$ 6,096,824.39

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

ALBANY STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001 Excessive Cash Balances

Compliance Requirement:	Cash Management
Internal Control Impact:	Significant Deficiency
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
Questioned Cost:	None Identified

Finding Status: Previously Reported Corrective Action Implemented

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2019

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)

Inadequate Controls over Purchasing Card

Observation:
A review of sixty-two purchasing card transactions revealed purchasing card users that did not follow the guidelines for purchasing card transactions as prescribed in the University's Procurement Card (P-Card) Manual. The following were noted during testing:

1. Two transactions included sales tax and the University did not seek reimbursement from the employee.
2. Two transactions did not have any receipt documentation and the University did not seek reimbursement from the employee.
3. Two transactions included charges in error.

Recommendation:
The University should implement procedures to ensure that Purchasing Card procedures are being followed by employees.

Management's Response:
ASU will continue to train card holders, monitor activity and take corrective action as needed.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs
Telephone: 229-500-3026
E-mail: shawn.mcgee@asurams.edu

Student Financial Assistance Awarding Process

Observation:
A sample of 40 financial assistance files was selected to determine if financial assistance was properly calculated and disbursed to eligible students. One student in the sample received less Pell grant funds than they were eligible to receive. In addition, the Institution's application of the Satisfactory Academic Progress (SAP) standards was not appropriate for three students and led to their placement on Warning Status or Financial Aid Suspension unnecessarily or before these statuses were actually appropriate.

Recommendation:
The Institution should review its processes and procedures for determining each student's financial aid eligibility, including the current configurations within the student information system. Where vulnerable, the Institution should develop and/or modify its policies and procedures to ensure that correct amounts will be awarded to students and the Institution's published SAP policy is utilized and followed when performing SAP evaluations. Furthermore, the Institution should develop and implement a monitoring process to ensure that controls are functioning properly.

Management's Response:
The financial aid team will continue to review the satisfactory academic progress (SAP) processes and policy to ensure that controls are in place to avoid future audit deficiencies. We will periodically review SAP calculations made in Banner to ensure accuracy, and work with the Registrar Office to ensure that grade changes are reported to financial aid timely so that any recalculation to SAP can be done.

Contact Person: Sybil Smith, Interim Director of Financial Aid
Telephone: 229-500-2958
E-mail: sybil.smith@asurams.edu

Fiscal Operations and Application to Participate (FISAP) Reporting

Observation:
All amounts reflected on the Fiscal Operations and Application to Participate (FISAP) report were not accurately completed and supported by the accounting records or other appropriate documentation. Several amounts reported by the Institution did not agree to records and reports provided. Additionally, auditor noted that the Administrative Cost Allowance amount for the Federal Work-Study program was not recorded appropriately on the general ledger.

Recommendation:
The Institution should implement policies and procedures to ensure that all reports submitted to the U.S. Department of Education are accurate and adequately supported by appropriate documentation. In addition, the Institution should implement procedures to ensure that Administrative Cost Allowance amounts are appropriately recorded on the general ledger.

Management's Response:
The financial aid team will implement procedures with the 2018-2019 FISAP report to ensure that all FISAP reports are accurate, complete and appropriate documentation is maintained.

Contact Person: Sybil Smith, Interim Director of Financial Aid
Telephone: 229-500-2958
E-mail: sybil.smith@asurams.edu

Return of Title IV Funds

Observation:
Our review of a sample of 40 students to test the Institution's compliance with 34 CFR 668.22, which is related to the return of Title IV funds, revealed that refunds were not calculated correctly for four students. One of these students was requested to return $421.34 less and three of these students was requested to return $713.09 more than the required amount to various SFA programs. Additionally, the proration between the school and student portion of the refund was incorrect for one student. Furthermore, the refund processed in the student information system did not agree to the amount calculated by the Institution for one student.

Recommendation:
The Institution should revise and implement procedures to ensure that student financial aid refunds are properly calculated and that unearned funds are correctly returned to the appropriate accounts in a timely manner in accordance with the Higher Education Amendments 1998, Public Law 105-244.

Management's Response:
The Office of Financial Aid staff will partner with the Registrar and Bursar Offices to ensure accuracy and timeliness of R2T4 calculations. Internal procedures will be established to ensure consistency and treatment of all R2T4 situations, in addition to consistent review of the FSA Handbook and consultation with the Department of Education for guidance on policy and procedural development.

Contact Person: Sybil Smith, Interim Director of Financial Aid
Telephone: 229-500-2958
E-mail: sybil.smith@asurams.edu

Untimely Enrollment Reporting

Observation:
Our testing of 40 students who withdrew during the Fall 2018 and Spring 2019 semesters revealed that four of the students' withdrawn enrollment statuses were not reported to the National Student Loan Data System (NSLDS) within the required 30 days or 60 days if a roster file was previously scheduled to be submitted. Additionally, three students' withdrawn enrollment statuses were never reported to NSLDS.

Recommendation:
The Institution should implement policies and procedures to ensure that all changes in student enrollment statuses are reported in a timely manner.

Management's Response:
The Institution will implement procedures to ensure proper reporting of enrollment status for all students, including unofficially withdrawn students and implement a monitoring process to ensure controls are properly implemented.

Contact Person: Pam England, Interim Registrar
Telephone: 229-500-2931
E-mail: pam.england@asurams.edu