ALBANY TECHNICAL COLLEGE
ALBANY, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2019

A Member Institution of the Technical College System of Georgia

ALBANY TECHNICAL COLLEGE

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

November 19, 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 the Technical College System of Georgia
Members of the Local Board of Directors
and
Dr. Anthony Parker, President
Albany Technical College

Ladies and Gentlemen:

This Management Report contains information pertinent to the Albany Technical College'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 Technical College'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 Technical College to support the issuance of the *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 Technical College, members of the State Board of the Technical College System of Georgia, members of the Local Board of Directors, 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 submitted,

Greg S. Griffin
State Auditor

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SELECTED FINANCIAL INFORMATION

ALBANY TECHNICAL COLLEGE
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2019

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 2,221,812.83
Accounts Receivable, Net	
Receivables - Federal Financial Assistance	222,485.78
Receivables - Other	976,090.76
Prepaid Items	9,460.97
Inventories	176,585.39
Total Current Assets	3,606,435.73
Noncurrent Assets	
Net OPEB Asset	285,320.00
Capital Assets, Net	27,846,120.26
Total Noncurrent Assets	28,131,440.26
Total Assets	31,737,875.99
Deferred Outflows of Resources	
Related to Defined Benefit Pension Plans and OPEB	5,848,646.09
LIABILITIES	
Current Liabilities	
Accounts Payable	499,316.33
Salaries Payable	52,030.32
Unearned Revenue (Including Tuition and Fees)	827,029.75
Deposits Held for Other Organizations	191,686.48
Capital Leases	6,940.25
Compensated Absences	659,935.55
Total Current Liabilities	2,236,938.68
Noncurrent Liabilities	
Capital Leases	10,355.81
Compensated Absences	497,846.11
Net OPEB Liability	9,970,566.00
Net Pension Liability	16,668,982.00
Total Noncurrent Liabilities	27,147,749.92
Total Liabilities	29,384,688.60
Deferred Inflows of Resources	
Related to Defined Benefit Pension Plans and OPEB	6,669,099.00
NET POSITION	
Net Investment in Capital Assets	27,828,824.20
Restricted	
Expendable	301,187.54
Unrestricted (Deficit)	(26,597,277.26)
Total Net Position	$ 1,532,734.48

ALBANY TECHNICAL COLLEGE

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)	$ 4,907,321.26
Grants and Contracts	
Federal	58,385.92
Rents and Royalties	3,588.80
Sales and Services	1,192,701.68
Other Operating Revenues	69.00
Total Operating Revenues	6,162,066.66
OPERATING EXPENSES	
Salaries	12,208,954.84
Benefits	2,113,601.90
Travel	160,499.33
Scholarships and Fellowships	7,406,585.87
Utilities	1,136,178.13
Supplies and Other Services	4,317,850.98
Depreciation	1,834,429.69
Total Operating Expenses	29,178,100.74
Operating Loss	(23,016,034.08)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	11,962,702.94
Grants and Contracts	
Federal	13,864,064.63
State	252,637.56
Local	41,655.00
Gifts	307,946.69
Investment Income	2,079.87
Interest Expense (Capital Assets)	(5,016.67)
Other Nonoperating Revenues	167,559.83
Other Nonoperating Revenues (Expenses)	(307,946.69)
Net Nonoperating Revenues	26,285,683.16
Income Before Other Revenues, Expenses, Gains, or Losses	3,269,649.08
Capital Grants and Gifts	
State	446,351.06
Extraordinary Items	650,000.00
Total Other Revenues, Expenses, Gains, or Losses	1,096,351.06
Change in Net Position	4,366,000.14
Net Position - Beginning of Year	(2,833,265.66)
Net Position - End of Year	$ 1,532,734.48

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

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	4,804,437.97
Grants and Contracts (Exchange)		58,385.92
Sales and Services		1,192,701.68
Payments to Suppliers		(11,118,973.57)
Payments to Employees		(12,217,083.45)
Payments for Scholarships and Fellowships		(7,406,585.87)
Other Receipts		3,657.80
Net Cash Used by Operating Activities		(24,683,459.52)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		11,962,702.94
Agency Funds Transactions		136,000.39
Gifts and Grants Received for Other than Capital Purposes		14,545,525.97
Other Noncapital Financing Payments		(171,675.60)
Net Cash Flows Provided by Noncapital Financing Activities		26,472,553.70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received		871,284.48
Purchases of Capital Assets		(628,264.92)
Principal Paid on Capital Debt		(104,355.94)
Interest Paid on Capital Debt		(5,016.67)
Net Cash Provided by Capital and Related Financing Activities		133,646.95
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		2,079.87
Net Increase in Cash		1,924,821.00
Cash and Cash Equivalents - Beginning of Year		296,991.83
Cash and Cash Equivalents - End of Year	$	2,221,812.83
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(23,016,034.08)
Adjustments to Reconcile Operating Income to Net Cash		
Used by Operating Activities		
Depreciation Expense		1,834,429.69
Change in Assets and Liabilities:		
Accounts Receivable, Net		22,645.02
Prepaid Items		(984.51)
Inventories		44,477.87
Net OPEB Asset		(5,023.00)
Salaries Payable		(5,723.93)
Accounts Payable		259,245.50
Unearned Revenue (Including Tuition and Fees)		(125,528.31)
Compensated Absences		(2,404.68)
Net Pension Liability		(545,650.00)
Net OPEB Liability		(6,173,961.00)
Change in Deferred Inflows/Outflows of Resources		
Deferred Inflows of Resources		4,085,726.00
Deferred Outflows of Resources		(1,054,674.09)
Net Cash Used by Operating Activities	$	(24,683,459.52)
NONCASH ACTIVITY		
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$	225,066.58

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Albany Technical College (the Institution) is one of twenty-two (22) State supported member Institutions of postsecondary education in Georgia which comprise the Technical College System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Albany Technical College as a separate reporting entity.

The Institution's Local Board of Directors is composed of twelve (12) members serving staggered three-year terms who are appointed by the State Board of the Technical College System of Georgia. Appropriation of State funds is made to the Technical College System of Georgia by the General Assembly of Georgia. The System Office of the Technical College System of Georgia determines the amount of state appropriations to be received by the Institution. The Institution does not have authority to retain unexpended state appropriations (surplus) for any given fiscal year. Accordingly, the Institution is considered an organizational unit of the Technical College System of Georgia for financial reporting purposes because of the significance of its legal, operational, and financial relationships 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 represent the financial position, changes in financial position and cash flows of only that portion of the business-type activities of the State that are 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, 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 found 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 of resources, liabilities, deferred inflows of resources, 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-college transactions have been eliminated.

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2019, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain assert 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 Governmental Accounting Standards Board (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: This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

Restricted: expendable: Includes resources in which the Institution is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. 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 Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $12,793.16. Unexpended state appropriations must be refunded to the Office of the State Treasurer.

SCHOLARSHIP ALLOWANCES

Scholarship allowances are the differences between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Sponsored and Unsponsored Scholarship Allowances totaled $3,801,079.76 for the year ending June 30, 2019.

NOTE 2: DEPOSITS

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Cash and Cash Equivalents		
Statement of Net Position	$	2,221,812.83
Less:		
Cash on hand		1,700.00
Total carrying value of deposits - June 30, 2019	$	2,220,112.83

DEPOSITS

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 50-17-59:

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

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

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

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

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

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The 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 $3,114,058.08. Of these deposits, $0 were exposed to custodial credit risk.

NOTE 3: ACCOUNTS RECEIVABLE

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

Student Tuition and Fees	$	136,913.87
Federal Financial Assistance		222,485.78
Other		921,684.77
		1,281,084.42
Less Allowance for Doubtful Accounts		82,507.88
Accounts Receivable, Net	$	1,198,576.54

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 1,457,004.97	$ -	$ -	$ 1,457,004.97
Construction Work-In-Progress	-	192,978.00	-	192,978.00
Total Capital Assets, Not Being Depreciated	1,457,004.97	192,978.00	-	1,649,982.97
Capital Assets, Being Depreciated:				
Building and Building Improvements	35,575,858.55	7,341.00	-	35,583,199.55
Facilities and Other Improvements	2,440,132.99	-	-	2,440,132.99
Equipment	9,295,772.10	650,546.64	-	9,946,318.74
Library Collections	694,808.44	2,465.86	6,862.14	690,412.16
Infrastructure	1,800,198.00	-	-	1,800,198.00
Total Assets Being Depreciated	49,806,770.08	660,353.50	6,862.14	50,460,261.44
Less: Accumulated Depreciation:				
Building and Building Improvements	11,719,118.39	975,331.16	-	12,694,449.55
Facilities and Other Improvements	1,967,173.36	43,613.53	-	2,010,786.89
Equipment	8,123,857.26	679,920.14	-	8,803,777.40
Library Collections	513,895.21	45,554.96	6,862.14	552,588.03
Infrastructure	112,512.38	90,009.90	-	202,522.28
Total Accumulated Depreciation	22,436,556.60	1,834,429.69	6,862.14	24,264,124.15
Total Capital Assets, Being Depreciated, Net	27,370,213.48	(1,174,076.19)	-	26,196,137.29
Capital Assets, Net	$ 28,827,218.45	$ (981,098.19)	$ -	$ 27,846,120.26

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

Fiscal Year	Depreciation Expense
2019	$ 1,834,429.69
2018	$ 1,810,890.50
2017	$ 2,002,440.77

NOTE 5: UNEARNED REVENUE (INCLUDING TUITION AND FEES)

Unearned Revenue (Including Tuitions and Fees) consisted of the following at June 30, 2019:

	Current Liabilities
Prepaid Tuition and Fees	$ 827,029.75

NOTE 6: LONG-TERM LIABILITIES

The Institution's long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Current Portion
Leases					
Lease Obligations	$ 121,652.00	$ -	$ 104,355.94	$ 17,296.06	$ 6,940.25
Other Liabilities					
Compensated Absences	1,160,186.34	878,214.12	880,618.80	1,157,781.66	659,935.55
Net Pension Liability	17,214,632.00	-	545,650.00	16,668,982.00	-
Net Other Post Employment Benefits Liability	16,144,527.00	-	6,173,961.00	9,970,566.00	-
Total Long-Term Obligations	$ 34,640,997.34	$ 878,214.12	$ 7,704,585.74	$ 27,814,625.72	$ 666,875.80

NOTE 7: NET POSITION

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

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019
Net Investment in Capital Assets	$ 28,705,566.45	$ 957,687.44	$ 1,834,429.69	$ 27,828,824.20
Restricted Net Position	297,645.69	13,922,450.55	13,918,908.70	301,187.54
Unrestricted Net Position	(31,836,477.80)	18,976,926.25	13,737,725.71	(26,597,277.26)
Total Net Position	$ (2,833,265.66)	$ 33,857,064.24	$ 29,491,064.10	$ 1,532,734.48

NOTE 8: LEASE OBLIGATIONS

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

CAPITAL LEASES

The Institution acquires certain 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 $104,355.94 and $5,016.67, respectively. Interest rates range from 9.2444% to 9.836%.

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	$ 35,533.91	$ 8,584.17	$ 26,949.74	$ 17,296.06

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

Description	Lessor	Original Principal	Lease Term	Begin Date	End Date	Outstanding Principal
Equipment - Letter Folding Machine	MailFinance	$ 16,379.54	5 Years	1/29/2016	1/28/2021	$ 6,228.00
Equipment - Postage Meter	Pitney Bowes	14,773.91	5 Years	12/30/2017	12/30/2022	11,068.06
Total Leases		$ 31,153.45				$ 17,296.06

OPERATING LEASES

The Institution leases office 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 the fiscal year 2019 was $115,249.04.

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, were as follows:

Year Ending June 30:	Capital Leases	Operating Leases
2020	$ 7,928.16	$ 172,873.56
2021	5,852.16	172,873.56
2022	3,776.16	172,873.56
2023	1,888.08	57,624.52
Total Minimum Lease Payments	19,444.56	$ 576,245.20
Less: Interest	2,148.50	
Principal Outstanding	$ 17,296.06	

NOTE 9: RETIREMENT PLANS

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

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

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

General Information about the Teachers Retirement System

Plan description: – All teachers of the Institution as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) 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 2019. The Institution's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual Institution payroll. Institution contributions to TRS were $1,124,392.46 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 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 Institution's contractually required contribution rate, actuarially determined annually, 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 contribution rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustment for the HB751 one-time benefit adjustment of 3% to retired state employees. The Institution's contributions to ERS totaled $1,087,794.63 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 totaling $16,668,982.00. 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 0.049102%, which was an increase of 0.000849 % from its proportion measured as of June 30, 2017. At June 30, 2018, the Institution's ERS proportion was 0.183764%, which was a decrease of 0.019289% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized pension expense of $704,612.00 for TRS and $588,328.00 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	$ 603,385.00	$ 18,785.00	$ 234,962.00	$ -
Changes of assumptions	137,533.00	-	355,918.00	-
Net difference between projected and actual earnings on pension plan investments	-	249,205.00	-	174,094.00
Changes in proportion and differences between Institution contributions and proportionate share of contributions	120,676.00	439,882.00	-	494,218.00
Instutution contributions subsequent to the measurement date	1,124,392.46	-	1,087,794.63	-
Total	$ 1,985,986.46	$ 707,872.00	$ 1,678,674.63	$ 668,312.00

The Institution's contributions subsequent to the measurement date of $1,124,392.46 for TRS and $1,087,794.63 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, 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	$ 285,441.00	$ 252,530.00
2021	$ 133,918.00	$ 37,228.00
2022	$ (295,416.00)	$ (289,403.00)
2023	$ 18,222.00	$ (77,787.00)
2024	$ 11,557.00	$ -

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

The actuarial assumptions used in the June 30, 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 stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	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 calculated using the applicable discount rate, 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%)
Institution's proportionate share of the net pension liability	$ 15,214,515.00	$ 9,114,383.00	$ 4,087,564.00

Employees' Retirement System:

	1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
Institution's proportionate share of the net pension liability	$ 10,745,308.00	$ 7,554,599.00	$ 4,836,033.00

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

NOTE 10: RISK MANAGEMENT

Public Entity Risk Pool

The Department of Community Health administers for the State of Georgia a program of health benefits for the employees of units of government of the State of Georgia, units of county governments, and local education agencies located with the State of Georgia. This plan is funded by participants covered in the plan, by employers' contributions paid by the various units of government participating in the plan.

Other Risk Management

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

NOTE 11: CONTINGENCIES

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

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

NOTE 12: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund)

General Information about the State OPEB Fund

Plan description: - Employees of State organizations as defined in §45-18-25 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits provided: The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

Contributions: As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the Institution were $1,919,988.00 for the year ended June 30, 2019. Active employees are not required to contribute to the State OPEB Fund.

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 of $9,970,566.00 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 June 30, 2017. 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 0.381198%, which was a decrease of 0.015064 % from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized OPEB expense of $836,922.00. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 784,186.00
Changes of assumptions	-	3,614,177.00
Net difference between projected and actual earnings on pension plan investments	230,473.00	-
Changes in proportion and differences between Institution contributions and proportionate share of contributions	-	847,383.00
Institution contributions subsequent to the measurement date	1,919,988.00	-
Total	$ 2,150,461.00	$ 5,245,746.00

The Institution's contributions subsequent to the measurement date of $1,919,988.00 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:	OPEB
2020	$ (1,653,675.00)
2021	$ (1,653,675.00)
2022	$ (1,322,909.00)
2023	$ (385,014.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75%
Salary increases	3.25% - 7.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.

The actuarial assumptions used in the June 30, 2017 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 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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB 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 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	Target allocation	Long-term expected real rate of return *
Fixed Income	30.00%	(0.05)%
Domestic Stocks - Large Cap	37.20%	9.00%
Domestic Stocks - Mid Cap	3.40%	12.00%
Domestic Stocks - Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatvies	5.00%	10.50%
Total	100.00%	

* Rates shown are net of inflation.

Discount rate: The discount rate has changed since the prior measurement date from 3.60% to 5.22%. In order to measure the total OPEB liability for the State OPEB Fund, a single equivalent interest rate of 5.22% was used as the discount rate. This is comprised mainly of the yield or index rate for twenty-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2040. Therefore, the calculated discount rate of 5.22% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Institution's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the Institution's proportionate share of the net OPEB liability calculated using the discount rate of 5.22%, 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-percentage-point lower (4.22%) or 1-percentage-point higher (6.22%) than the current discount rate:

	1% Decrease 4.22%	Current Rate 5.22%	1% Increase 6.22%
Proportionate Share of the Net OPEB Liability	$ 11,845,384.00	$ 9,970,566.00	$ 8,421,621.00

Sensitivity of the Institution's proportionate share 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 share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	$ 8,225,016.00	$ 9,970,566.00	$ 12,105,438.00

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at *https://sao.georgia.gov/comprehensive-annual-financial-reports.*

Postemployment Benefits Other Than Pensions (SEAD – OPEB)

General Information about the SEAD-OPEB Fund

Plan Description: SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

Benefits Provided: The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions: Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of one percent of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the Institution reported an asset of $285,320.00 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2017. An expected total OPEB asset as of June 30, 2018 was determined using standard roll-forward techniques. The Institution's proportion of the net OPEB asset was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2018. At June 30, 2018, the Institution's proportion was 0.105422%, which was a decrease of 0.002424 % from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized a credit to OPEB expense of $9,432.00. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SEAD-OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,117.00	$ -
Changes of assumptions	14,659.00	-
Net difference between projected and actual earnings on OPEB plan investments	-	47,169.00
Changes in proportion and differences between contributions and proportionate share of contributions	15,748.00	-
Total	$ 33,524.00	$ 47,169.00

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:	SEAD-OPEB
2020	$ 10,414.00
2021	$ (5,708.00)
2022	$ (14,410.00)
2023	$ 3,941.00

Actuarial assumptions: The total OPEB asset as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases:	
ERS	3.25% – 7.00%
GJRS	4.50%
LRS	N/A
Investment rate of return	7.30%, net of OPEB plan investment expense, including inflation

Postretirement 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 two years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

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 OPEB 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 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 asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* Rates shown are net of inflation

Discount rate: The discount rate used to measure the total OPEB 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Institution's proportionate share of the net OPEB asset to changes in the discount rate: The following presents the Institution's proportionate share of the net OPEB asset calculated using the discount rate of 7.30%, as well as what the Institution's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net OPEB Asset	$ (153,730.00)	$ (285,320.00)	$ (393,181.00)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publicly available at www.ers.ga.gov/financials.

NOTE 13: EXTRAORDINARY ITEM

The Institution received $650,000.00 in insurance recoveries for the damages to the Carlton Construction Academy and miscellaneous other damages to the campus caused by Hurricane Michael on October 10, 2018.

SUPPLEMENTARY INFORMATION

ALBANY TECHNICAL COLLEGE
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2019

SCHEDULE "1"

ASSETS		
Cash and Cash Equivalents	$	2,552,802.83
Accounts Receivable		
Federal Financial Assistance		589,584.12
Other		703,343.35
Prepaid Expenditures		11,708.82
Inventories		176,713.19
Total Assets	$	4,034,152.31
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	52,030.32
Encumbrance Payable		1,265,514.36
Accounts Payable		464,140.25
Unearned Revenue		809,369.17
Funds Held for Others		14,185.15
Total Liabilities		2,605,239.25
Fund Balances		
Reserved		
Refunds to Grantors		9,788.13
Federal Financial Assistance		6,079.41
Live Work Projects		261,521.18
Prior Year Local Funds		10,194.29
Continuing Education		50,728.72
Technology Fees		308,032.02
Uncollectible Accounts Receivable		82,507.88
Inventories		58,000.00
Bookstore		3,517.47
Tuition		625,750.80
Unreserved		
Surplus		12,793.16
Total Fund Balances		1,428,913.06
Total Liabilities and Fund Balances	$	4,034,152.31

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 TECHNICAL COLLEGE
SUMMARY BUDGET COMPARISON SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 11,964,309.00	$ 11,964,309.00	$ -
Federal Funds	3,215,278.82	2,965,968.33	(249,310.49)
Other Funds	12,343,979.03	11,574,164.52	(769,814.51)
Total Revenues	27,523,566.85	26,504,441.85	(1,019,125.00)
CARRY-OVER FROM PRIOR YEAR			
Transfer from Reserved Fund Balance	-	319,377.82	319,377.82
Total Funds Available	27,523,566.85	26,823,819.67	(699,747.18)
EXPENDITURES			
Adult Literacy	1,152,963.00	1,094,982.88	57,980.12
Technical Education	25,744,716.76	23,841,061.67	1,903,655.09
Workforce Development	59,646.00	-	59,646.00
Economic Development	566,241.09	495,163.61	71,077.48
Total Expenditures	27,523,566.85	25,431,208.16	2,092,358.69
Excess of Funds Available over Expenditures	$ -	1,392,611.51	$ 1,392,611.51
FUND BALANCE JULY 1			
Reserved		441,626.85	
Unreserved		1,606.06	
ADJUSTMENTS			
Prior Year Payables/Expenditures		68,659.48	
Prior Year Receivables/Revenues		(152,643.31)	
Unreserved Fund Balance (Surplus) Returned to Technical College System of Georgia Year Ended June 30, 2018		(1,606.06)	
Refunds to Grantors			
Federal Financial Assistance Returned to Technical College System of Georgia Year Ended June 30, 2018		(1,963.65)	
Prior Year Reserved Fund Balance Included in Funds Available		(319,377.82)	
FUND BALANCE JUNE 30		$ 1,428,913.06	
SUMMARY OF FUND BALANCE			
Reserved			
Refunds to Grantors		$ 9,788.13	
Federal Financial Assistance		6,079.41	
Live Work Projects		261,521.18	
Prior Year Local Funds		10,194.29	
Continuing Education		50,728.72	
Technology Fees		308,032.02	
Uncollectible Accounts Receivable		82,507.88	
Inventories		58,000.00	
Bookstore		3,517.47	
Tuition		625,750.80	
Total Reserved		1,416,119.90	
Unreserved			
Surplus		12,793.16	
Total Fund Balance		$ 1,428,913.06	

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.

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ALBANY TECHNICAL COLLEGE
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
Adult Literacy				
State Appropriation				
State General Funds	$ 510,300.00	$ 502,515.00	$ 502,515.00	$ 502,515.00
Federal Funds				
Federal Funds Not Specifically Identified	408,160.00	400,000.00	408,160.00	406,395.24
Other Funds	426,133.00	240,000.00	242,288.00	193,817.94
Total Adult Literacy	1,344,593.00	1,142,515.00	1,152,963.00	1,102,728.18
Quick Start				
Other Funds	626,773.00	-	-	-
Technical Education				
State Appropriations				
State General Funds	11,261,708.00	11,461,794.00	11,461,794.00	11,461,794.00
Federal Funds				
Federal Funds Not Specifically Identified	3,331,342.00	2,807,118.82	2,807,118.82	2,559,573.09
Other Funds	12,438,735.00	11,475,803.94	11,475,803.94	10,836,119.31
Total Technical Education	27,031,785.00	25,744,716.76	25,744,716.76	24,857,486.40
Workforce Development				
Other Funds	-	-	59,646.00	-
Economic Development				
Other Funds	-	566,240.00	566,241.09	544,227.27
Totals by Program	$ 29,003,151.00	$ 27,453,471.76	$ 27,523,566.85	$ 26,504,441.85

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 Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive	Over Expenditures
$ -	$ -	$ 502,515.00	$ -	$ 498,872.16	$ 3,642.84	$ 3,642.84
-	-	406,395.24	(1,764.76)	402,292.78	5,867.22	4,102.46
-	-	193,817.94	(48,470.06)	193,817.94	48,470.06	-
-	-	1,102,728.18	(50,234.82)	1,094,982.88	57,980.12	7,745.30
-	-	-	-	-	-	-
-	-	11,461,794.00	-	11,461,794.00	-	-
15,347.48	-	2,574,920.57	(232,198.25)	2,488,807.43	318,311.39	86,113.14
304,030.34	-	11,140,149.65	(335,654.29)	9,890,460.24	1,585,343.70	1,249,689.41
319,377.82	-	25,176,864.22	(567,852.54)	23,841,061.67	1,903,655.09	1,335,802.55
-	-	-	(59,646.00)	-	59,646.00	-
-	-	544,227.27	(22,013.82)	495,163.61	71,077.48	49,063.66
$ 319,377.82	$ -	$ 26,823,819.67	$ (699,747.18)	$ 25,431,208.16	$ 2,092,358.69	$ 1,392,611.51

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

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Period Adjustments
Adult Literacy				
State Appropriation				
State General Funds	$ 1,605.07	$ -	$ (1,605.07)	$ 10,755.39
Federal Funds				
Federal Funds Not Specifically Identified	-	-	-	5,448.39
Other Funds	-	-	-	1,489.91
Total Adult Literacy	1,605.07	-	(1,605.07)	17,693.69
Technical Education				
State Appropriation				
State General Funds	-	-	-	0.03
Federal Funds				
Federal Funds Not Specifically Identified	15,347.48	(15,347.48)	-	(80,177.98)
Other Funds	304,031.33	(304,030.34)	(0.99)	(23,164.63)
Total Technical Education	319,378.81	(319,377.82)	(0.99)	(103,342.58)
Economic Development				
Other Funds	-	-	-	1,665.06
Total Operating Activity	320,983.88	(319,377.82)	(1,606.06)	(83,983.83)
Prior Year Reserves				
Not Available for Expenditure				
Inventories	58,000.00	-	-	-
Refunds to Grantors	2,001.21	-	-	-
Uncollectible Accounts Receivable	62,247.82	-	-	-
Totals by Program	$ 443,232.91	$ (319,377.82)	$ (1,606.06)	$ (83,983.83)

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 of Fiscal Year 2019 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance: Reserved	Analysis of Ending Fund Balance: Fiscal Year 2019 Surplus	Analysis of Ending Fund Balance: Total
$ (1,605.07)	$ -	$ 3,642.84	$ 12,793.16	$ -	$ 12,793.16	$ 12,793.16
(9,550.85)	-	4,102.46	-	-	-	-
(1,489.91)	-	-	-	-	-	-
(12,645.83)	-	7,745.30	12,793.16	-	12,793.16	12,793.16
(0.03)	-	-	-	-	-	-
144.25	-	86,113.14	6,079.41	6,079.41	-	6,079.41
(17,509.02)	-	1,249,689.41	1,209,015.76	1,209,015.76	-	1,209,015.76
(17,364.80)	-	1,335,802.55	1,215,095.17	1,215,095.17	-	1,215,095.17
-	-	49,063.66	50,728.72	50,728.72	-	50,728.72
(30,010.63)	-	1,392,611.51	1,278,617.05	1,265,823.89	12,793.16	1,278,617.05
-	-	-	58,000.00	58,000.00	-	58,000.00
7,786.92	-	-	9,788.13	9,788.13	-	9,788.13
20,260.06	-	-	82,507.88	82,507.88	-	82,507.88
$ (1,963.65)	$ -	$ 1,392,611.51	$ 1,428,913.06	$ 1,416,119.90	$ 12,793.16	$ 1,428,913.06

Summary of Ending Fund Balance	Reserved	Fiscal Year 2019 Surplus	Total
Reserved			
Refunds to Grantors	$ 9,788.13	$ -	$ 9,788.13
Federal Financial Assistance	6,079.41	-	6,079.41
Live Work Projects	261,521.18	-	261,521.18
Prior Year Local Funds	10,194.29	-	10,194.29
Continuing Education	50,728.72	-	50,728.72
Technology Fees	308,032.02	-	308,032.02
Uncollectible Accounts Receivable	82,507.88	-	82,507.88
Inventories	58,000.00	-	58,000.00
Bookstore	3,517.47	-	3,517.47
Tuition	625,750.80	-	625,750.80
Unreserved			
Surplus	-	12,793.16	12,793.16
Total Ending Fund Balance - June 30	$ 1,416,119.90	$ 12,793.16	$ 1,428,913.06

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

ALBANY TECHNICAL COLLEGE
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

No matters were reported.

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

FA 2019-001	**Strengthen Controls over Enrollment Reporting**
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P007A180951 (Year: 2019), P033A180951 (Year: 2019), P063P182748 (Year: 2019), P268K192748 (Year: 2019)
Questioned Costs:	None Identified

Description:
Changes in student enrollment statuses were not reported to required organizations in a timely and accurate manner.

Criteria:
Regarding the enrollment reporting process, provisions included in 34 CFR 685.309(b) state in part "(1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary – (i) In the manner and format prescribed by the Secretary; and (ii) Within the timeframe prescribed by the Secretary. (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that – (i) … the student has ceased to be enrolled on at least a half-time basis for the period."

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:
A sample of 40 students who withdrew from the Institution during the Fall 2018 and Spring 2019 semesters and for whom a Return of Title IV funds calculation was completed was randomly selected for testing using a non-statistical sampling method. The National Student Loan Data System (NSLDS) Enrollment Detail was reviewed for each student to ensure that the correct enrollment status was reflected, and the enrollment status was updated within the appropriate timeframe. In six instances, the student's withdrawn enrollment status was never reported to NSLDS. Additionally, in 14 instances, the student's withdrawn enrollment status was reported to NSLDS in an untimely manner.

Cause:
In discussing these deficiencies with management, they stated that for students who had failing or incomplete grades reported but had ceased attendance, the overall enrollment status was being updated; however, the enrollment status for each course was not being updated. This error caused the omissions and untimely updates in NSLDS enrollment reporting performed.

Effect or Potential Effect:
If enrollment statuses are not submitted appropriately to NSLDS by the Institution, loan interest subsidies may be negatively affected, deferments of Federal Direct Loans may be continued in error, loan repayment dates could be recorded incorrectly, and the compilation of data associated with other Title IV aid programs can be adversely affected. Additionally, the Institution was not in compliance with Federal regulations concerning enrollment reporting requirements.

Recommendation:
The Institution should implement policies and procedures to ensure that all changes in student enrollment statuses are reported in a timely manner. Additionally, management should develop and implement a monitoring process to ensure that controls are operating properly.

Views of Responsible Officials:
We concur with this finding.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Logical Access IT General Controls

Observation:
Our review of the established internal control structure associated with the student information system at the Institution revealed design deficiencies in logical access controls intended to protect information from unauthorized access, manipulation and corruption. The details related to these deficiencies have been provided to management of the Institution in accordance with Official Code of Georgia Annotated §50-6-9.

Recommendation:
Management should review and enhance their policies and procedures to ensure the integrity and accuracy of the information used as part of awarding financial assistance to students. Additionally, management should ensure proper separation of duties as it relates to student financial assistance processes.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Management's Response:
All system accounts previously assigned to the DEFAULT profile have been reassigned. Any non-system accounts would be subject to Active Directory password controls regardless of the profile assigned. TCSG Enterprise Services will conduct a review to ensure that no non-system users are subject to any direct grants to database objects.

Contact Person: Kathleen Skates, Vice President of Administrative Services/ Bruce Hopkins, Director of Information Technology
Telephone: 229-430-3524 / 229-430-2837
E-mail: kskates@albanytch.edu

Excessive Cash Balances

Observation:
Upon review of cash drawdowns, disbursements, and subsequent adjustments related to the Federal Direct Student Loans program and the Federal Pell Grant program, excessive cash balances were noted for up to 12 days and 18 days, respectively, in the fiscal year. Provisions included in 34 CFR 668.166(a) state, "The Secretary considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary."

Recommendation:
The Institution should enhance procedures to ensure that Federal Direct Student Loan and Federal Pell Grant funds reversed within the student information system due to the processing of Return of Title IV calculations are returned in a timely manner. In addition, the Institution should only request Federal Direct Student Loan and Federal Pell Grant funds when the amounts are immediately needed to disburse funds to students or parents. Furthermore, the Institution should develop and implement a monitoring process to ensure that controls are functioning appropriately.

Management's Response:
The Technical College will reserve local funding in an amount in G5 to handle fluctuations due to Return of Title IV and reductions in student awards. We are working with our Financial Aid Department to ensure compliance with the applicable cash management regulations.

Contact Person: Kathleen Skates, Vice President of Administrative Services
Telephone: 229-430-3524
E-mail: kskates@albanytch.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 the proration between the school and student portion of the refund was incorrect for one student. Additionally, funds were not returned to the appropriate grantor programs within the required time frame of 45 days for nine of the withdrawn students tested.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

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 Technical College will check each record's number of days calculation instead of a random selection of records for the number of days calculated by Banner. We have also turned off the check mark to include the Late Fee as an Institutional Charge. The Financial Aid, Registrar's, and Academic Affairs Offices will continue to work together to have withdrawals reported more timely. Also, the Financial Aid Office and the Registrar will process the list of students with no earned credit more expeditiously after grades roll.

Contact Person: Helen Catt, Director of Financial Aid
Telephone: 229-430-6159
E-mail: hcatt@albanytech.edu

SECTION IV

MANAGEMENT'S CORRECTIVE ACTION

ALBANY
Technical College
Anthony O. Parker, Ph.D.
President

CORRECTIVE ACTION PLANS - FEDERAL AWARD FINDINGS

FA 2019-001	Strengthen Controls over Enrollment Reporting
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 - Federal Supplemental Educational Opportunity Grants 84.033 - Federal Work-Study Program 84.063 - Federal Pell Grant Program 84.268 - Federal Direct Student Loans
Federal Award Numbers:	P007A180951 (Year: 2019), P033A180951 (Year: 2019), P063P182748 (Year: 2019), P268K192748 (Year: 2019)
Questioned Costs:	None Identified

Changes in student enrollment statuses were not reported to required organizations in a timely and accurate manner.

Corrective Action Plans:
Faculty are going to receive more training to insure that they report withdrawals to the Registrar earlier. Also, the Registrar is going to update the course status as well as the overall student status to insure the student's enrollment status is updated and sent to the National Student Clearinghouse and NSLDS.

Estimated Completion Date: January 13, 2020

Contact Person: Barbara Brown/Emmett Griswold
Title: Vice President of Students Affairs/Vice President of Academic Affairs
Phone Number: (229)430-3504/430-3511
Email: bbrown@albanytech.edu/egriswold@albanytech.edu

Helen Catt