



ALBANY STATE UNIVERSITY ALBANY, GEORGIA

**MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2015**

**A Member Institution of the
University System of Georgia**



ALBANY STATE UNIVERSITY

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ALBANY STATE UNIVERSITY

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SECTION I
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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

February 11, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Dr. Arthur Dunning, President
Albany State University

Ladies and Gentlemen:

As part of our audits of the basic financial statements of the University System of Georgia presented in the *Annual Financial Report* for the University System of Georgia, 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, 2015, we have performed certain audit procedures at Albany State University. Accordingly, the financial statements and compliance activities of Albany State University were examined to the extent considered necessary in order to express an opinion as to the fair presentation of the financial statements contained in the foregoing documents and to issue reports on compliance and internal control as required by the Single Audit Act Amendments of 1996.

In addition, we have audited compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its Federal programs for the year ended June 30, 2015.

This Management Report contains information pertinent to the financial and compliance activities of Albany State University as of and for the year ended June 30, 2015. Information contained in this report is a by-product of our audits of the basic financial statements of the University System of Georgia and the basic financial statements of the State of Georgia and is the representation of management. Accordingly, we do not express an opinion or any other form of assurance on it. The particular information provided which includes a section on findings and other items reported in accordance with Commission on Colleges regulation 2.11.1 is enumerated in the Table of Contents.

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,

A handwritten signature in black ink that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

GSG:er

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SELECTED FINANCIAL INFORMATION

ALBANY STATE UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2015

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 5,169,402
Accounts Receivable, Net (Note 3)	
Receivables - Federal Financial Assistance	1,200,806
Receivables - Other	2,466,724
Prepaid Items	26,996
Total Current Assets	<u>8,863,928</u>
Noncurrent Assets	
Due from USO - Capital Liability Reserve Fund	507,323
Notes Receivable, Net	382,943
Capital Assets, Net (Note 4)	147,254,497
Total Noncurrent Assets	<u>148,144,763</u>
Total Assets	<u>157,008,691</u>
Deferred Outflows of Resources	
Related to Defined Benefit Pension Plan	<u>2,543,796</u>

LIABILITIES

Current Liabilities	
Accounts Payable	130,637
Salaries Payable	116,642
Benefits Payable	90,509
Contracts Payable	47,177
Deposits	394,589
Advances (Including Tuition and Fees) (Note 5)	1,241,754
Other Liabilities	9,143
Deposits Held for Other Organizations	190,073
Lease Purchase Obligations	1,668,946
Compensated Absences	827,489
Total Current Liabilities	<u>4,716,959</u>
Noncurrent Liabilities	
Lease Purchase Obligations	72,491,319
Compensated Absences	961,935
Net Pension Liability	23,373,229
Total Noncurrent Liabilities	<u>96,826,483</u>
Total Liabilities	<u>101,543,442</u>
Deferred Inflows of Resources	
Related to Defined Benefit Pension Plan	<u>8,973,982</u>

NET POSITION

Net Investment in Capital Assets	73,094,232
Restricted for:	
Expendable	348,666
Unrestricted	-24,407,835
Total Net Position	<u>\$ 49,035,063</u>

ALBANY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	\$ 22,135,590
Less: Scholarship Allowances	-6,862,225
Grants and Contracts	
Federal	8,242,820
State	292,280
Other	65,948
Sales and Services	393,810
Rents and Royalties	41,577
Auxiliary Enterprises	
Residence Halls	7,826,121
Bookstore	131,828
Food Services	4,303,259
Parking/Transportation	144,458
Health Services	353,308
Intercollegiate Athletics	1,330,945
Other Organizations	240,161
Other Operating Revenues	367,734
	<hr/>
Total Operating Revenues	39,007,614

OPERATING EXPENSES

Salaries	
Faculty	11,483,840
Staff	19,629,240
Employee Benefits	9,490,557
Other Personal Services	437,337
Travel	385,991
Scholarships and Fellowships	7,147,588
Utilities	2,984,572
Supplies and Other Services	13,687,276
Depreciation	6,785,203
	<hr/>
Total Operating Expenses	72,031,604
	<hr/>
Operating Loss	-33,023,990

NONOPERATING REVENUES (EXPENSES)

State Appropriations	19,326,043
Grants and Contracts	
Federal	12,240,867
Gifts	316,789
Investment Income (Endowments, Auxiliary and Other)	65,361
Interest Expense (Capital Assets)	-3,542,325
Other Nonoperating Expenses	-92,509
	<hr/>
Net Nonoperating Revenues	28,314,226
	<hr/>
Loss Before Other Revenues, Expenses, Gains, or Losses	-4,709,764
	<hr/>
Capital Grants and Gifts	
State	769,006
Other	63,630
	<hr/>
Total Other Revenues, Expenses, Gains or Losses	832,636
	<hr/>
Decrease in Net Position	-3,877,128
	<hr/>
Net Position - Beginning of Year, Restated	52,912,191
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Net Position - End of Year	\$ 49,035,063

ALBANY STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 15,248,720
Grants and Contracts	8,064,824
Sales and Services	393,810
Payments to Suppliers	-29,933,429
Payments to Employees	-29,956,718
Payments for Scholarships and Fellowships	-6,852,796
Loans Issued to Students and Employees	19,355
Auxiliary Enterprise Charges:	
Residence Halls	7,580,831
Bookstore	122,437
Food Services	4,194,066
Parking/Transportation	144,457
Health Services	352,849
Intercollegiate Athletics	1,325,096
Other Organizations	248,190
Other Receipts	<u>79,633</u>
Net Cash Used by Operating Activities	<u>-28,968,675</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	19,326,043
Agency Funds Transactions	-184,483
Gifts and Grants Received for Other than Capital Purposes	<u>12,557,655</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>31,699,215</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	832,636
Purchases of Capital Assets	-2,080,284
Principal Paid on Capital Debt and Leases	-1,529,616
Interest Paid on Capital Debt and Leases	<u>-3,542,325</u>
Net Cash Used by Capital and Related Financing Activities	<u>-6,319,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>65,361</u>
Net Decrease in Cash	-3,523,688
Cash and Cash Equivalents - Beginning of Year	<u>8,693,090</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,169,402</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH	
USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ -33,023,990
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	6,785,203
Change in Assets and Liabilities:	
Receivables, Net	-385,560
Prepaid Items	41,684
Notes Receivable, Net	19,355
Accounts Payable	17,302
Salaries Payable	35,015
Advances (Including Tuition and Fees)	-1,097,467
Other Liabilities	-236,059
Compensated Absences	12,685
Net Pension Liability	-9,885,603
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	8,973,982
Deferred Outflows of Resources	<u>-225,222</u>
Net Cash Used by Operating Activities	<u>\$ -28,968,675</u>

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Albany State University is one of thirty (30) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Albany State University as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Albany State University does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Albany State University is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

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

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, except as noted in the preceding paragraph. Under the accrual basis, revenues, are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University transactions have been eliminated.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of this statement does not have a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred outflows of resources and deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. Adoption of this statement in conjunction with GASB 68 had a significant impact on the University's financial statements.

PENSIONS

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

CAPITAL LIABILITY RESERVE FUND

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the University. Albany State University's contribution to the fund as of June 30, 2015 was \$507,323.

NET POSITION

The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital assets, net of outstanding debt obligations and deferred inflows, or resources 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 the net investment in capital assets.

Restricted - nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

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

Unrestricted: Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the categories above. Included in the net deficit reported is the University's Net Pension liability of \$23 million which is required for financial reporting and will not impact the economics of the plan or affect the budgets or cash flows.

RESTATEMENT NOTE DISCLOSURE

For fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of \$30,940,258 of which \$33,258,832 is represented in Net Pension Liability and \$2,318,574 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

NOTE 2: DEPOSITS AND INVESTMENTS

DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated 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 Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2015, the carrying value of deposits was -\$1,578,589 and the bank balance was \$526,272. Of the University's deposits, \$276,272 were uninsured. Of these uninsured deposits, \$276,272 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

INVESTMENTS

At June 30, 2015, the carrying value of the University's investment was \$6,706,397, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents investment pool as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Investment Pool	
Board of Regents	
Short-Term Fund	\$ <u>6,706,397</u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits and Accounts – Education Audit Division or on their web site at <http://www.audits.ga.gov>. The Board of Regents Short-Term Fund investment pools are reported as Cash and Cash Equivalents in the financial statements of this report.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015.

Auxiliary Enterprises and Other Operating Activities	131,007
Federal Financial Assistance	1,200,806
Georgia State Financing and Investment Commission	650,202
Other	<u>889,987</u>
Total Accounts Receivable	\$ <u>3,667,530</u>

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in the University's capital assets for the year ended June 30, 2015:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 2,922,366		\$ 0	\$ 2,922,366
Construction Work-In-Progress	1,687,478	\$ 793,634		2,481,112
Total Capital Assets, Not Being Depreciated	4,609,844	793,634	0	5,403,478
Capital Assets, Being Depreciated:				
Infrastructure	14,112,338			14,112,338
Building and Building Improvements	117,664,413		165,451	117,498,962
Facilities and Other Improvements	7,049,912			7,049,912
Equipment	11,451,741	1,234,231	253,244	12,432,728
Capital Leases	78,168,952			78,168,952
Library Collections	6,164,677	99,596	171,222	6,093,051
Capitalized Collections	50,000			50,000
Total Assets Being Depreciated	234,662,033	1,333,827	589,917	235,405,943
Less: Accumulated Depreciation:				
Infrastructure	4,202,808	291,278		4,494,086
Building and Building Improvements	54,958,396	2,595,467	80,313	57,473,550
Facilities and Other Improvements	4,015,671	138,343		4,154,014
Equipment	5,763,023	1,222,229	240,462	6,744,790
Capital Leases	12,257,371	2,477,255		14,734,626
Library Collections	6,064,876	60,631	171,222	5,954,285
Capitalized Collections	-427			-427
Total Accumulated Depreciation	87,261,718	6,785,203	491,997	93,554,924
Total Capital Assets, Being Depreciated, Net	147,400,315	-5,451,376	97,920	141,851,019
Capital Assets, Net	\$ 152,010,159	\$ -4,657,742	\$ 97,920	\$ 147,254,497

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

Fiscal Year	Depreciation Expense
2015	\$ 6,785,203
2014	\$ 6,622,647
2013	\$ 6,491,911

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

NOTE 5: ADVANCES

Advances consisted of the following at June 30, 2015.

Prepaid Tuition and Fees	\$ 542,959
Other Advances	<u>698,795</u>
 Total Advances	 \$ <u><u>1,241,754</u></u>

NOTE 6: LONG-TERM LIABILITIES

The University's Long-Term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance July 1, 2014 (Restated)	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Leases					
Lease Obligations	\$ 75,689,881	\$ 0	\$ 1,529,616	\$ 74,160,265	\$ 1,668,946
Other Liabilities					
Compensated Absences	1,776,739	1,198,392	1,185,707	1,789,424	827,489
Net Pension Liability	<u>33,258,832</u>		<u>9,885,603</u>	<u>23,373,229</u>	
 Total	 <u>35,035,571</u>	 <u>1,198,392</u>	 <u>11,071,310</u>	 <u>25,162,653</u>	 <u>827,489</u>
 Total Long-Term Obligations	 \$ <u><u>110,725,452</u></u>	 \$ <u><u>1,198,392</u></u>	 \$ <u><u>12,600,926</u></u>	 \$ <u><u>99,322,918</u></u>	 \$ <u><u>2,496,435</u></u>

NOTE 7: NET POSITION

Changes in Net Position for the year ended June 30, 2015 are as follows:

	Beginning Balance July 1, 2014 (Restated)	Additions	Reductions	Ending Balance June 30, 2015
Net Investment in Capital Assets	\$ 76,320,278	\$ 1,333,827	\$ 4,559,873	\$ 73,094,232
Restricted Net Position	399,790	20,841,915	20,893,039	348,666
Unrestricted Net Position	<u>-23,807,877</u>	<u>50,947,395</u>	<u>51,547,353</u>	<u>-24,407,835</u>
 Total Net Position	 \$ <u><u>52,912,191</u></u>	 \$ <u><u>73,123,137</u></u>	 \$ <u><u>77,000,265</u></u>	 \$ <u><u>49,035,063</u></u>

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

The amounts within each category at June 30, 2015 were as follows:

Net Investment in Capital Assets	\$ <u>73,094,232</u>
Restricted for	
Expendable	
Organized Activities	-43,178
Federal Loans	<u>391,844</u>
Total Expendable	<u>348,666</u>
Unrestricted	
R & R Reserve	2,598,834
Reserve for Encumbrances	520,278
Other Unrestricted	<u>-27,526,947</u>
Total Unrestricted	<u>-24,407,835</u>
TOTAL NET POSITION	\$ <u><u>49,035,063</u></u>

NOTE 8: LEASE OBLIGATIONS

Albany State University is obligated under various operating leases for the use of equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property and equipment.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2034 and 2040. Expenses for fiscal year 2015 were \$5,429,982 of which \$3,542,325 represented interest and \$358,041 represented executory costs. Total principal paid on capital leases was \$1,529,616 for the fiscal year ended June 30, 2015. Interest rates range from 3.25 percent to 5.5 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2015:

<u>Description</u>	<u>Gross Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets Held Under Capital Lease at June 30, 2015</u>	<u>Outstanding Balances per Lease Schedules at June 30, 2015</u>
	(+)	(-)	(=)	
Buildings - PPV	\$ <u>78,168,952</u>	\$ <u>14,734,626</u>	\$ <u>63,434,326</u>	\$ <u>74,160,265</u>

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

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

The following capital lease schedule lists the pertinent information for each lease including the building name, lessor, total principal amount, lease term, lease begin date, lease end date, and remaining long-term debt as of June 30, 2015.

CAPITAL LEASE SCHEDULE						Outstanding Principal Balance Balance at June 30, 2015
Description	Lessor (1)	Original Principal	Lease Term	Begin Date	End Date	
PPV - Phase 1 H1 - H4	ASU Foundation	\$ 32,195,313	28 Years	8/2006	7/2034	\$ 31,148,294
PPV - Phase 2 H5 - H6	ASU Foundation	25,581,599	30 Years	7/2010	7/2040	25,496,019
PPV - Phase 2 Student Center	ASU Foundation	17,572,962	30 Years	7/2010	7/2040	17,515,952
Total Leases		\$ 75,349,874				\$ 74,160,265

(1) All of Albany State University's capital leases are with related entities.

OPERATING LEASES

Albany State University's noncancellable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers, other small business equipment, and buildings.

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Position includes other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2015, were as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2016	\$ 5,504,811	\$ 21,360
2017	5,586,492	21,360
2018	5,664,365	21,360
2019	5,749,915	12,460
2020	5,833,671	
2021 - 2025	30,085,729	
2026 - 2030	30,655,136	
2031 - 2035	28,291,029	
2036 - 2040	14,088,105	
Total Minimum Lease Payments	131,459,253	\$ 76,540
Less: Interest	45,940,808	
Less: Executory Costs (if paid)	11,358,180	
Principal Outstanding	\$ 74,160,265	

Albany State University fiscal year 2015 expense for rental of real property and equipment under operating leases was \$8,900.

NOTE 9: RETIREMENT PLANS

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

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

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

General Information about the Teachers' Retirement System

Plan description: All teachers of the University as defined in § 47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) is 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% of their annual pay during fiscal year 2015. The University contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual University payroll. University contributions to TRS were \$2,543,796 for the reporting period (fiscal year ended June 30, 2015), and \$2,310,968 for the measurement period (fiscal year ended June 30, 2014). 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.

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, post-retirement 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 University's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. The University's contributions to ERS totaled \$0 for the reporting period (fiscal year ended June 30, 2015) and \$7,606 for the measurement period (fiscal year ended June 30, 2014). 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, 2015, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS totaling \$23,373,229. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014. At June 30 2014,

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EXHIBIT "D"

the University's TRS proportion was 0.184464%, which was a decrease of 0.005770% from its proportion measured as of June 30, 2013. At June 30 2014, the University's ERS proportion was 0.001830%, which was a decrease of 0.000453% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$1,411,217 for TRS and -\$4,264 for ERS. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 8,124,475	\$ 16,752
Changes in proportion and differences between University contributions and proportionate share of contributions		819,227	13,528
University contributions subsequent to the measurement date	\$ 2,543,796		
Total	\$ 2,543,796	\$ 8,943,702	\$ 30,280

University contributions subsequent to the measurement date of \$2,543,796 for TRS and \$0 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, 2016. 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
2016	\$ -2,217,306	\$ -12,643
2017	\$ -2,217,306	\$ -9,261
2018	\$ -2,217,306	\$ -4,188
2019	\$ -2,217,308	\$ -4,188
2020	\$ -74,476	

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	3.00%	
Salary increases	3.75 – 7.00%	average, including inflation
Investment rate of return	7.50%	net of pension plan investment expense including inflation

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Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System

Inflation	3.00%	
Salary increases	5.45 – 9.25%	average, including inflation
Investment rate of return	7.50%	net of pension plan investment expense including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
	<u>100.00%</u>	

* Rates shown are net of the 3.00% assumed rate of inflation

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

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

Teachers' Retirement System:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 42,947,239	\$ 23,304,593	\$ 7,129,283

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 100,085	\$ 68,636	\$ 41,866

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.

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. 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 of Regents. 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

Albany State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2015, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

Albany State University and the covered employees made the required contributions of \$756,751 (9.24%) and \$491,023 (6%), respectively.

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

Georgia Defined Contribution Plan

Plan Description

Albany State University participates in the Georgia Defined Contribution Plan (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

Contributions

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2015 amounted to \$60,266 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

NOTE 10: RISK MANAGEMENT

The University System of Georgia offers its employees and retirees access to four different healthcare plan options. For the University System of Georgia's Plan Year 2015, the following healthcare plan options were available:

- BlueChoice HMO
- Comprehensive Care Plan
- Consumer Choice HSA Plan
- Kaiser Permanente HMO

Albany State University and participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care Plan and Consumer Choice HSA Plan.

The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser Permanente.

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. Albany State University, as an organizational unit of the Board of Regents of the University 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.

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

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

NOTE 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 Albany State University expects such amounts, if any, to be immaterial to its overall financial positions.

Litigation, claims and assessments filed against Albany State University (an organizational unit of the Board of Regents of the University 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, 2015.

NOTE 12: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

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EXHIBIT "D"

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2015 plan year, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2015, there were 203 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, Albany State University recognized as incurred \$1,200,063 of expenditures, which was net of \$405,628 of participant contributions.

NOTE 13: SUBSEQUENT EVENTS

On November 10, 2015, the University System of Georgia voted to consolidate Albany State University and Darton State College. The consolidation is expected to occur during fiscal year 2017. The newly formed institution will retain the name of Albany State University.

NOTE 14: AFFILIATED ORGANIZATIONS

The Albany State University Foundation Inc., is a legally separate, tax exempt organization whose activities primarily support Albany State University. This affiliated organization is considered a potential component unit of the State of Georgia in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. Therefore, the financial statements of this affiliated organization is not included in these financial statements. Copies of the financial statements for the affiliated organization may be obtained from Albany State University.

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SUPPLEMENTARY INFORMATION

ALBANY STATE UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2015

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$ 939,129.24
Accounts Receivable	
Federal Financial Assistance	1,200,805.89
Other	2,096,138.60
Prepaid Expenditures	<u>32,215.73</u>

Total Assets	\$ <u><u>4,268,289.46</u></u>
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LIABILITIES AND FUND EQUITY

Liabilities	
Accrued Payroll	\$ 108,213.75
Encumbrances Payable	454,038.17
Accounts Payable	66,525.75
Deferred Revenue	<u>1,190,576.15</u>

Total Liabilities	<u>1,819,353.82</u>
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Fund Balances

Reserved	
Department Sales and Services	281,112.40
Indirect Cost Recoveries	1,410,887.01
Technology Fees	239,389.47
Uncollectible Accounts Receivable	166,809.47
Tuition Carry-Over	333,145.14
Unreserved	
Surplus	<u>17,592.15</u>

Total Fund Balances	<u>2,448,935.64</u>
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Total Liabilities and Fund Balances	\$ <u><u>4,268,289.46</u></u>
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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
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 19,482,197.00	\$ 19,482,197.00	\$ 0.00
Other Funds	<u>47,014,560.00</u>	<u>42,568,781.34</u>	<u>-4,445,778.66</u>
Total Revenues	66,496,757.00	62,050,978.34	-4,445,778.66
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	<u>0.00</u>	<u>2,267,783.92</u>	<u>2,267,783.92</u>
Total Funds Available	<u>66,496,757.00</u>	<u>64,318,762.26</u>	<u>-2,177,994.74</u>
<u>EXPENDITURES</u>			
Teaching	<u>66,496,757.00</u>	<u>62,048,710.00</u>	<u>4,448,047.00</u>
Excess of Funds Available over Expenditures	<u>\$ 0.00</u>	<u>2,270,052.26</u>	<u>\$ 2,270,052.26</u>
<u>FUND BALANCE JULY 1</u>			
Reserved		2,430,198.77	
Unreserved		156,154.06	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		16,468.53	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-156,154.06	
Prior Year Reserved Fund Balance Included in Funds Available		<u>-2,267,783.92</u>	
<u>FUND BALANCE JUNE 30</u>		<u>\$ 2,448,935.64</u>	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	281,112.40	
Indirect Cost Recoveries		1,410,887.01	
Technology Fees		239,389.47	
Uncollectible Accounts Receivable		166,809.47	
Tuition Carry-Over		<u>333,145.14</u>	
Total Reserved		2,431,343.49	
Unreserved			
Surplus		<u>17,592.15</u>	
Total Fund Balance	\$	<u>2,448,935.64</u>	

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.

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	\$ 18,482,197.00	\$ 18,482,197.00	\$ 19,482,197.00	\$ 19,482,197.00
Other Funds	<u>48,289,582.00</u>	<u>48,289,582.00</u>	<u>47,014,560.00</u>	<u>42,568,781.34</u>
Total Operating Activity	\$ <u>66,771,779.00</u>	\$ <u>66,771,779.00</u>	\$ <u>66,496,757.00</u>	\$ <u>62,050,978.34</u>

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Funds Available Compared to Budget				Expenditures Compared to Budget		Excess
Prior Year	Adjustments and	Total	Variance		Variance	of Funds Available
Carry-Over	Program Transfers	Funds Available	Negative	Actual	Positive	Over
						Expenditures
\$ 0.00	\$ 0.00	\$ 19,482,197.00	\$ 0.00	\$ 19,481,422.60	\$ 774.40	\$ 774.40
<u>2,267,783.92</u>	<u>0.00</u>	<u>44,836,565.26</u>	<u>-2,177,994.74</u>	<u>42,567,287.40</u>	<u>4,447,272.60</u>	<u>2,269,277.86</u>
<u>\$ 2,267,783.92</u>	<u>\$ 0.00</u>	<u>\$ 64,318,762.26</u>	<u>\$ -2,177,994.74</u>	<u>\$ 62,048,710.00</u>	<u>\$ 4,448,047.00</u>	<u>\$ 2,270,052.26</u>

ALBANY STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2015

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2014 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 156,154.06	\$ 0.00	\$ -156,154.06	\$ 2,164.94
Other Funds	<u>2,267,783.92</u>	<u>-2,267,783.92</u>	<u>0.00</u>	<u>14,303.59</u>
Total Teaching	2,423,937.98	-2,267,783.92	-156,154.06	16,468.53
 Prior Year Reserves				
Not Available for Expenditure				
Uncollectible Accounts Receivable	<u>162,414.85</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 Budget Unit Totals	<u>\$ 2,586,352.83</u>	<u>\$ -2,267,783.92</u>	<u>\$ -156,154.06</u>	<u>\$ 16,468.53</u>

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 2015 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ 0.00	\$ 0.00	\$ 774.40	\$ 2,939.34	\$ 0.00	\$ 2,939.34	\$ 2,939.34
<u>-4,394.62</u>	<u>0.00</u>	<u>2,269,277.86</u>	<u>2,279,186.83</u>	<u>2,264,534.02</u>	<u>14,652.81</u>	<u>2,279,186.83</u>
-4,394.62	0.00	2,270,052.26	2,282,126.17	2,264,534.02	17,592.15	2,282,126.17
 4,394.62	 0.00	 0.00	 166,809.47	 166,809.47	 0.00	 166,809.47
 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>\$ 2,270,052.26</u>	 <u>\$ 2,448,935.64</u>	 <u>\$ 2,431,343.49</u>	 <u>\$ 17,592.15</u>	 <u>\$ 2,448,935.64</u>

Summary of Ending Fund Balance

Reserved

Department Sales and Services	\$ 281,112.40	\$ 281,112.40
Indirect Cost Recoveries	1,410,887.01	1,410,887.01
Technology Fees	239,389.47	239,389.47
Uncollectible Accounts Receivable	166,809.47	166,809.47
Tuition Carry-Over	333,145.14	333,145.14

Unreserved

Surplus	\$ 17,592.15	17,592.15
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Total Ending Fund Balance - June 30	\$ 2,431,343.49	\$ 17,592.15	\$ 2,448,935.64
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ALBANY STATE UNIVERSITY
RECONCILIATION OF BUDGET TO GAAP
YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

Presented below is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Position of business-type activities, as reported on Exhibit A.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1")	\$	2,448,936
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Amounts reported for Business-Type Activities in the Statement of Net Position are different because:

Capital Assets used in Business-Type Activities are not reported in the Budget Fund.		147,254,497
--	--	-------------

Certain interfund activity is reported in Business-Type Activities but is not reported in the Budget Fund.		-12,945
--	--	---------

Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Position.		-166,809
---	--	----------

Agency Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 342,810	
Liabilities	-342,810	
Total Net Effect of Agency Fund Activity		0

Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 3,382,301	
Liabilities	-413,089	
Total Net Effect of Auxiliary Enterprises Fund Activity		2,969,212

Loan Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 393,360	
Liabilities	0	
Total Net Effect of Loan Fund Activity		393,360

Student Activities Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 1,528,639	
Liabilities	-954	
Total Net Effect of Student Activity Fund Activity		1,527,685

The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Position.		
Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting.	\$ 454,038	
Prepaid items reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting.	-5,600	
Reimbursement from grantors reported as revenues in the Budget Fund that are for expenditures based on encumbrances are deferred for GAAP reporting.	-27,030	
Total Net Effect of Encumbrance Activity		421,408

Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund.		
Capital Leases Payable	\$ -74,160,265	
Compensated Absences Payable	-1,789,424	
Contracts Payable	-47,177	
Deferred Loss on Defined Benefit Pension Plan	2,543,796	
Net Pension Liability	-23,373,229	
Deferred Gain on Defined Benefit Pension Plan	-8,973,982	
Total Liabilities		-105,800,281

Net Position of Business-Type Activities (Exhibit "A")	\$	49,035,063
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The supplementary information presented on Schedules 1, 2, 3 and 4 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. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles. Presented on this schedule is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Position of business-type activities, as reported on Exhibit A.

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ALBANY STATE UNIVERSITY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

	<u>SALARIES</u>	<u>TRAVEL</u>
Totals per Annual Supplement	\$ 31,081,650	\$ 385,991
Accruals		
June 30, 2015	116,642	
June 30, 2014	-81,627	
Compensated Absences		
June 30, 2015	1,662,262	
June 30, 2014	-1,650,478	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Bainbridge State College		
Coker, Wendell	5,980	
Columbus State University		
McCrillis, Robert	-1,950	
Porter, Rhonda	-7,656	
Darton State College		
Medlin, Dorene	-1,626	
Georgia State University		
Spratt, Bruce	4,750	
University of Georgia		
Hoke, Cynthia C.	500	
Compensation Included in Other Personal Services	-18,751	
Unidentified Variance	<u>3,384</u>	
	\$ <u>31,113,080</u>	\$ <u>385,991</u>

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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ALBANY STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-521-11-01

Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

SPECIAL TESTING AND PROVISIONS

Deficiencies in Student Financial Aid Process

U.S. Department of Education

Student Financial Aid Cluster

Finding Control Number: FA-521-11-01

Beginning with the 2014-2015 aid year, the Office of Financial Aid completed all Return of Title IV calculations by using the Department of Education's online template as provided at <https://faaaccess.ed.gov>. Due to issues beyond the scope of the Office of Financial Aid, it was determined to be in the best interest of the University to relinquish use of the Ellucian Banner Return of Title IV program until all offices were trained in the use of their specific modules as it relates to the setting up and maintaining of the Return of Title IV module in Banner. The Office of Financial Aid will immediately return to using Banner as the primary method of calculating the Return of Title IV funds. Training from model institutions, namely Clayton State University, will be sought to maximize accuracy of data entry and compliance. To ensure Title IV compliance during the transition period, the U.S. Department of Education's Return to Title IV template will be used to confirm return amounts. The Office of Financial Aid will ensure that Banner Return of Title IV module training and implementation is complete by December 31, 2015. The Office of Financial Aid now calculates all fees internally with regard to the process. This ensures that areas of prior noncompliance are 100% resolved. As part of this year's setup process for the Office of Financial Aid, the office now works with all external departments to ensure that all calendars and dates are properly address and maintained. The Office of Financial Aid has also updated its Return of Title IV policy to address areas of noncompliance.

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SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

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ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

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

FS 2015-001	Deficiencies in Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency

Description:

The University's accounting procedures were insufficient to provide for adequate internal control over the preparation of the financial statements.

Criteria:

A system of internal control over financial reporting does not stop at the general ledger. Management is responsible for implementing a system of internal control over the preparation of the financial statements prepared in accordance with generally accepted accounting principles (GAAP). Additionally, the University is required to annually submit GAAP basis financial statements for inclusion in the State of Georgia's Comprehensive Annual Financial Report and the State of Georgia's Single Audit Report. In addition, the University is required to annually submit budget basis financial statements for inclusion in the State of Georgia's Budgetary Compliance Report.

Condition:

Numerous errors were noted during our review of the University's GAAP basis financial statements, budget basis financial statements and Notes to the Financial Statements. Some of the problems are listed below:

1. Errors noted in year-end entries caused Employee Benefits to be overstated by \$1,872,378, Salaries – Staff to be understated by \$1,113,230, Scholarships Allowance to be understated by \$464,356 and scholarships and fellowships to be understated by \$294,792.
2. The University understated uncollectible accounts receivable by \$1,196,169.
3. The University could not provide adequate supporting documentation for several items reflected on the Statement of Net Position including \$658,419 of accounts receivable, \$339,983 of deposits, and \$542,959 of advances.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

4. The University overstated the outstanding balance of a capital lease by \$132,608 in the capital lease note disclosure.
5. The University overstated the bank balance by \$250,000 and overstated the bank balances collateralized with securities by \$500,000 within the cash note disclosure.

Cause:

In discussing this deficiency with the University, management indicated that the cause was due to errors incurred in AFR preparation and in reconciling system details to the General ledger.

Effect or Potential Effect:

Significant misstatements were included in the financial statements presented for review. In addition, the lack of controls and monitoring could impact the reporting of the University's financial position and results of operation.

Recommendation:

The University should review the accounting controls and procedures currently in place, identify weaknesses, and design and implement procedures necessary to strengthen controls over the preparation of the financial statements.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

We will strengthen the controls and improve the review to prevent and/or correct errors in a timelier manner at FY2016 Year End Close.

We will change our procedures to properly record and report uncollectable accounts receivable, deposits and advances at June 30, 2016.

We will work with Board of Regents (BOR) staff to make the capital lease and deposits adjustments needed prior to June 30, 2016.

We will update our reconciliation and documentation to fully resolve the discrepancies in accounts receivable and the capital lease prior to June 30, 2016.

We met with BOR staff and have been informed of additional training on the Cash Note to be presented at the FY2016 Year End Workshop April 27-28.

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ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001

Overpayment of Student Financial Assistance

Compliance Requirement:

Eligibility

Internal Control Impact:

Significant Deficiency

Compliance Impact:

Nonmaterial Noncompliance

Federal Awarding Agency:

U. S. Department of Education

CFDA Number and Title:

84.SFA Student Financial Assistance Cluster

Description:

The University's Student Financial Assistance Office improperly determined the financial need of eligible students.

Criteria:

Provisions included in 34 CFR 668 provide general provisions for administering Student Financial Assistance (SFA) programs and 34 CFR 675, 676, 685, and 690 provide eligibility and other related program requirements that are specific to the Federal Work-Study program, Federal Supplemental Educational Opportunity Grant (SEOG), Federal Direct Loan Program, and Federal Pell Grant Program, respectively.

Condition:

A sample of 60 financial assistance files was selected to determine if financial assistance was properly calculated and disbursed to eligible students. The following deficiencies were noted:

1. One student in the sample received Direct Unsubsidized Student Loans before the Subsidized need-based loan limit was reached.
2. One student in the sample was in default on loans made under Title IV loan program. Federal regulations (34 CFR 668.32 and 668.35) state that a student is eligible to receive financial assistance under Title IV programs if the student is not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program. Over disbursements totaling \$2,865.00 were noted.
3. One student in the sample was not in compliance with the University's published satisfactory academic progress (SAP) policies. Federal regulations (34 CFR 668.32 and 668.34) state that a student is eligible to receive financial assistance under Title IV programs if satisfactory academic progress is maintained. The student did not meet the qualitative requirement of satisfactory academic progress, which resulted in SFA over disbursements totaling \$9,932.00.

Questioned Cost:

Questioned costs of \$12,797.00, with likely questioned costs of \$831,942.67, were identified for the students who received student financial assistance in excess of their eligible need.

Cause:

In discussing these deficiencies with management, they stated that there was inadequate monitoring of processes related to SAP and student financial aid eligibility determination.

Effect or Potential Effect:

The University was not in compliance with Federal regulations concerning awarding of SFA funds to students.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The University should review its processes and procedures for determining each student's financial aid eligibility. Where vulnerable, the University should develop and/or modify its policies and procedures to ensure that correct amounts will be awarded to students in conformity with financial need requirements. Additionally, the University should develop and implement a monitoring process to ensure that controls are properly implemented. The University should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

All processes and procedures relative to determining student eligibility will be reviewed and updated to ensure Federal Student Aid compliance.

The new leadership will implement a system of internal controls and monitoring.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedures.

Contact Person: Stephanie Lawrence, Director of Financial Aid
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FA 2015-002

Compliance Requirement:
Internal Control Impact:
Compliance Impact:
Federal Awarding Agency:
CFDA Number and Title:

Undocumented Cost of Attendance Budgets

Eligibility
Significant Deficiency
Nonmaterial Noncompliance
U. S. Department of Education
84.SFA Student Financial Assistance Cluster

Description:

The University's Student Financial Aid Office did not document the procedures used to establish Cost of Attendance budgets.

Criteria:

Provisions included in 34 CFR 668 provide general provisions for administering Student Financial Aid (SFA) programs.

Condition:

Upon review of the University's Cost of Attendance (COA) budgets, it was noted that University personnel could not provide supporting documentation or explanations for the calculation of several components of the COA budgets, including Books, Supplies, Miscellaneous Expenses and Transportation for all students and Room for students living with their parents. In addition, the Undergraduate and Graduate in-state tuition amounts did not agree to the University's published tuition rates.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:

N/A

Cause:

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the University could not locate documentation for the procedures used in calculating COA budget components or determine if this documentation initially existed.

Effect or Potential Effect:

The University was not in compliance with Federal regulations concerning the COA budgets used as the basis for determining SFA eligibility. The COA is the cornerstone of establishing a student's financial need and sets a limit on the total aid a student may receive. If the estimated costs used for components in the COA budget are unreasonable and do not represent average costs for students at the University, a majority of the student population may have been significantly overawarded.

Recommendation:

The University should reevaluate the components used in the COA budgets and document that these costs represent average costs for students enrolled at the University. The University should modify its procedures to ensure that any future changes to the COA budgets are reasonable and based on documented average costs for students. The University should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has implemented a change in leadership in the Office of Financial Aid.

All processes and procedures, relative to ensuring reasonable estimated costs used for each component of the Cost of Attendance (COA) budget, will be updated to ensure compliance.

All documentation used in the COA determination will be stored securely and made readily available upon request.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural determinations.

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ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-003

Reports Not Reconciled

Compliance Requirement:	Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Description:

Fiscal year 2014 amounts reported on the Fiscal Operations and Application to Participate (FISAP) report submitted by the University to the U.S. Department of Education were not properly reconciled.

Criteria:

Federal regulations (34 CFR 668.24, 34 CFR 675.19, 34 CFR 690.81 and 34 CFR 690.83) require the University to ensure that reported information is accurate and reconciled as necessary.

Condition:

The fiscal year 2014 FISAP report included amounts reported for Tuition and Fees for Undergraduates, the Perkins Loan Program, and the Federal Work-Study Program that did not reconcile to the accounting records.

Questioned Cost:

N/A

Cause:

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the University could not locate documentation to support amounts reported on the FISAP or determine if this documentation initially existed.

Effect or Potential Effect:

Information submitted to the U.S. Department of Education was not accurate and was not supported by the accounting records.

Recommendation:

The University should implement policy and procedures to ensure that all reports submitted to the U.S. Department of Education are accurately completed and supported by the accounting records. The University should also contact the U.S. Department of Education regarding the resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

The new leadership will implement a system of internal controls and monitoring to ensure accurate and timely reporting.

Each office will designate a reconciliation specialist to ensure that reports are reconciled monthly and annually.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

All supporting documentation will be maintained and made readily available upon request.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural development.

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FA 2015-004

Verification Process

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Education
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Description:

The University's Student Financial Assistance Office did not meet student verification requirements.

Criteria:

Provisions included in 34 CFR 668 provide the compliance requirements for the verification process that the University should follow for students who receive financial aid and identify what documentation is acceptable.

Condition:

A sample of 25 students who were selected for verification by the U.S. Department of Education was reviewed by the auditor. Testing revealed that verification procedures were not completed for two students.

Questioned Cost:

Questioned cost of \$38,382.00, with likely questioned cost of \$1,757,329.09, were identified for the students who received student financial assistance in excess of their eligibility.

Cause:

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the University could not locate documentation for the verifications or determine if this documentation initially existed.

Effect or Potential Effect:

Without properly verifying the information in the selected student files, the University is in non-compliance with program provisions and awarded students funds in excess of eligibility.

Recommendation:

The University should develop and implement procedures to ensure that verification requirements are met. The University should also contact the U.S. Department of Education regarding resolution of this finding.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

All processes and procedures relative to determining student eligibility and conducting verification will be reviewed and updated to ensure Federal Student Aid compliance.

The new leadership will implement a system of internal controls and monitoring to ensure that documents are received and maintained securely.

Appropriate modifications will be made to correct deficiencies.

All staff responsible for completing verification will be trained to ensure compliance.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural development.

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FA 2015-005

Compliance Requirement:

Internal Control Impact:

Compliance Impact:

Federal Awarding Agency:

CFDA Number and Title:

Return of Title IV Funds

Special Tests and Provisions

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Education

84.SFA Student Financial Assistance Cluster

Description:

This is a repeat finding (FA-521-11-01) from the year ended June 30, 2011, which is still unresolved. The University did not properly perform the refund process to ensure that unearned Title IV funds were returned in a timely manner.

Criteria:

34 CFR 668.22 provides requirements over the treatment of Title IV funds when a student withdraws. The University is required to determine the amount of Title IV grant that the student earned as of the student's withdrawal date when a recipient of a Title IV grant withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. A refund must be returned to Title IV programs when the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of the Title IV grant or loan assistance that was disbursed to the student as of the withdrawal date.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

Forty students who received Federal financial assistance for the Fall 2014 and Spring 2015 semesters and withdrew from the University were selected to determine if refunds were calculated and returned in the correct amount to the proper funding agency and/or student in a timely manner. Our examination revealed the following deficiencies.

1. The refund calculation for two students who withdrew during the Fall 2014 semester was calculated incorrectly due the use of incorrect Title IV aid information and the improper number of scheduled break days. These students were requested to return \$1,608.98 less than the required amount to various SFA programs.
2. The refund calculation for four students who withdrew during the Fall 2014 semester and five students who withdrew during the Spring 2015 semester was calculated incorrectly due to the use of inaccurate institutional charges and/or the improper number of scheduled break days. These students were required to return \$4,643.75 in excess of the required amount to various SFA programs.
3. The proration between the school and student portion of the refund was incorrect for four of the students who withdrew during the Fall 2014 semester and three of the students who withdrew during the Spring 2015 semester.
4. Funds were not returned to the appropriate grantor programs within the required time frame of 45 days for one of the withdrawn students tested.
5. Funds were not returned to the appropriate grantor programs within the required time frame of 30 days after the semester ended for four of the withdrawn students tested.
6. Documentation for funds returned to the appropriate grantor programs by the University did not agree to the amount calculated by and deducted within the University's student information system in two instances.
7. Documentation for funds returned to the appropriate grantor programs was not provided by the entity in eleven instances. Therefore, auditor could not determine if the funds had been returned to the appropriate grantor programs within the appropriate timeframe for these students.

Questioned Cost:

Questioned cost of \$1,608.98, with likely questioned cost of \$10,730.89, were identified for refunds calculated incorrectly.

Cause:

In discussing these deficiencies with management, they stated that the miscalculation of refund amounts occurred because scheduled break days were not properly determined. Additionally, internal procedural errors led to the untimely return of funds to the appropriate grantor programs or the inability to obtain documentation to support the timely return of funds to the appropriate grantor programs.

Effect or Potential Effect:

The Student Financial Assistance Office did not calculate the correct amount of refunds for the Title IV Federal program and did not apply the SFA refunds to the Title IV Federal programs in a timely manner.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The University should develop 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. The University should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

The Office of Financial Aid, coupled with the Registrar's Office has updated its policy and procedure for the accurate and timely reporting of Return to Title IV (R2T4).

System generated reports are reviewed daily and at the end of the term to assess the need for R2T4 completion on each eligible student.

Internal procedures for calculating R2T4s will be monitored and updated annually to ensure compliance.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural development.

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FA 2015-006

Compliance Requirement:

Internal Control Impact:

Compliance Impact:

Federal Awarding Agency:

CFDA Number and Title:

Inadequate Control Procedures over Unofficial Withdrawals

Special Tests and Provisions

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Education

84.SFA Student Financial Assistance Cluster

Description:

Unearned Title IV funds were not identified and returned for students who unofficially withdrew from the University.

Criteria:

34 CFR 668.22 provides requirements over the treatment of Title IV funds when a student withdraws. The University is required to determine the amount of Title IV grant that the student earned as of the student's withdrawal date when a recipient of a Title IV grant withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. A refund must be returned to Title IV programs when the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of the Title IV grant or loan assistance that was disbursed to the student as of the withdrawal date.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

All five students sampled who received Federal financial assistance for the Fall 2014 and Spring 2015 semesters and withdrew from the University but for whom no Return of Title IV calculation was performed were selected to determine if a refund should have been calculated. Our examination revealed that refund calculations were not performed for any of these students who unofficially withdrew during the Fall 2014 and Spring 2015 semesters.

Questioned Cost:

Questioned cost of \$18,824.43, with likely questioned cost of \$172,850.34, were identified for refunds calculated incorrectly.

Cause:

In discussing these deficiencies with management, they stated that the omission of three of these Return of Title IV calculations occurred as a result of an error in the Banner process used to identify students who may have unofficially withdrawn. In addition, two of these students' final grades were adjusted from F (failing) to W (withdrawal) at the end of the semester and this activity was not properly reported to the SFA Office to have a Return of Title IV calculation performed. Furthermore, withdrawal documentation for these two students could not be located by the University to support the students' last date of attendance.

Effect or Potential Effect:

The Office of Financial Aid did not calculate the correct amount of refunds for the Title IV Federal program.

Recommendation:

The University should implement policies and procedures to ensure that students who unofficially withdrew and received Title IV funds are identified and the required refund calculation is performed. The University should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

All policies and procedures relating to calculating the Return of Title IV funds have been reviewed to determine gaps in practice.

All relevant personnel will undergo training to ensure the accurate and timely return of funds to the Department of Education.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review of the FSA Handbook for guidance on policy and procedural development.

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ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-007 Failure to Reconcile the Federal Direct Loan Program

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Description:

The University did not perform the required monthly reconciliations for the Federal Direct Loan Program.

Criteria:

Provisions included in 34 CFR 685.102(b), 685.301, and 685.303 provide program requirements for the Federal Direct Loan program.

Condition:

University personnel perform a reconciliation of amounts reported in the student information system and the financial accounting system at the end of each month. However, monthly reconciliations of amounts disbursed by student per the Direct Loan Common Origination and Disbursement (COD) system and the student information system were not performed for any months in the fiscal year.

Questioned Cost:

N/A

Cause:

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the University could not locate documentation for the reconciliations performed during the fiscal year or determine if this documentation initially existed.

Effect or Potential Effect:

The University was not in compliance with Federal regulations concerning the program requirements of the Federal Direct Loan program.

Recommendation:

The University should establish procedures and assign responsibility for the monthly and yearly reconciliation of the Federal Direct Loan program. The University's financial aid and business office should maintain their internal records in such a way that they can prepare for the monthly reconciliation. The University should establish a monitoring process to ensure the guidelines detained in the Federal Direct Loan School Guide are followed to ensure compliance with Federal Direct Loan requirements.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding.

The University has changed leadership in the Office of Financial Aid.

A system of conducting monthly reconciliations between COD, Banner, and PeopleSoft will be implemented to guarantee compliance.

A Loan Reconciliation Specialist position will be added to the Office of Financial Aid to increase compliance.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The Office of Financial Aid staff will engage in training in regards to awarding, disbursing, and reconciling Federal Direct Loans.

The Office of Financial Aid staff will engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural development.

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OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Inadequate Controls over Purchasing Card

Observation:

A review of 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. Albany State University was unable to locate documentation for eighteen transactions, one transaction appears to have been executed by someone other than the card holder, and sales tax was paid on two purchases, which should have been tax-exempt.

Recommendation:

Management should review procedures in place and implement changes necessary to ensure that all purchasing card transactions adhere to the policies and procedures as outline in the University's Procurement Card (P-Card) Manual.

Views of Responsible Officials and Corrective Action Plans:

ASU will continue to train card holders, monitor activity and take corrective action as needed. We revoked the privileges of the cardholder with the eighteen undocumented transactions and the cardholder with the two sales taxes. Also, Business Services is hosting a P-Card training seminar on March 1 which will include the Deputy Commissioner of State Purchasing, the Director of State Card Programs and the AVP of Card Programs with Bank of America.

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Auxiliary Fund Deficit

Observation:

The Board of Regents Policy Manual Section 15 states that "Auxiliary Enterprises are operating on a self-supporting basis, where the combination of fees and other revenue is sufficient to meet costs". The University's Residence Halls, Intercollegiate Athletics and Parking/Transportation funds reported a loss during the year under review. The Residence Halls fund reported an overall net loss of \$1,143,197 and is in a deficit of \$925,274. The Intercollegiate Athletics fund reported a net loss of \$553,075 and is in a deficit of \$1,118,772. The Parking/Transportation fund reported net loss of \$59,205 and is in a deficit of \$440,421.

Recommendation:

The University should ensure that the revenue streams associated with the Auxiliary Enterprise funds are sufficient to pay all costs pertaining to the funds.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Views of Responsible Officials and Corrective Action Plans:

The Housing, Athletic and Transportation deficits have accumulated over a number of years and will require several years to resolve. The Housing rents and Student Athletic fees were increased this year. The Housing rents will be increased again next year. Housing has reorganized to reduce staff expenses. Housing is also working with a new marketing firm to attract additional residents. We continue to work with the Athletic Director on reducing expenses and increasing revenues. We are shifting game related, revenue generating, operations to Athletics next year. We have a new Transportation Services Manager and expect a more efficient operation as a result. Transportation charges to users can be increased if needed.

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Accounting Controls Overall

Observation:

Our review of the established internal control structure associated with significant financial applications at the University 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 University 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 within the financial statements and as part of awarding financial assistance to students. Additionally, management should ensure proper separation of duties as it relates to financial and student financial assistance processes.

Views of Responsible Officials and Corrective Action Plans:

ITS has been working with ABAC which was identified by BOR ITS auditors as having a best practice in terms of how accounts are reviewed and managed.

We have recently purchased the Cold Fusion application, which is what ABAC's scripts were written in and we will be setting up the same environment here at ASU. We also are in the process of creating new Banner classes similar to ABAC's that will allow us to provide and better monitor access in terms of segregation of duties.

ITS is also participating in the Banner Workshop that be held at Middle Georgia State University on February 24th in Macon, Ga. We will be following any additional recommendations shared at that time in terms of access control and segregation of duties.

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Untimely Enrollment Reporting

Observation:

Our testing of 40 students who withdrew during the Fall 2014 and Spring 2015 semesters revealed that all of the students' withdrawn enrollment statuses were reported to the National Student Loan Data System (NSLDS) in an untimely manner. Additionally, four students' withdrawn enrollment statuses were never reported to NSLDS.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Recommendation:

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

Views of Responsible Officials and Corrective Action Plans:

Corrective actions were initiated by the Registrar at the end of the Spring 2015 term. The following corrective actions have been put into practice:

1. Attendance verification is performed at the beginning of term for all enrolled students. Students who are reported as non-attending are dropped from classes. Students are then required to petition their instructor for reinstatement into class.
2. All faculty members are now required to report a last date of attendance for all students who receive a grade of 'I', 'F', or 'U'.
3. An automatic report detailing the name and RamID of any student who officially withdraws is generated by our reporting software (Argos). This report is sent to the Director of Financial Aid each day.

The following action is under development by the Registrar's Office with the assistance and cooperation of Financial Aid:

- An End of Term report of all students with grades of only 'F', 'I', 'W' is being developed (Unofficial Withdrawal Report). If the student did not successfully complete the term, we will initiate Title IV Withdrawal procedures using the last date of attendance.

Based on the audit recommendations, we will also create an audit report detailing all students withdrawn during the previous month and whether or not Title IV Withdrawal processes were initiated for them.

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