



ALBANY STATE UNIVERSITY ALBANY, GEORGIA

**MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2016**

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



ALBANY STATE UNIVERSITY

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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DIRECTOR
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September 7, 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:

This Management Report contains information pertinent to the Albany State University's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Core Requirement 2.11.1 (Financial resources) as of and for the year ended June 30, 2016. Additionally, we audited Albany State University's Federal Student Aid programs for the year ended June 30, 2016 to meet the requirements of COC Comprehensive Standard 3.10.2. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Albany State University to support our audits of the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2016.

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, reading "Greg S. Griffin", is positioned above the printed name and title.

Greg S. Griffin
State Auditor

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SELECTED FINANCIAL INFORMATION

ALBANY STATE UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2016

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 1,987,262
Accounts Receivable, Net	
Federal Financial Assistance	1,608,628
Other	3,626,154
Prepaid Items	<u>36,784</u>
Total Current Assets	<u>7,258,828</u>
Noncurrent Assets	
Due from USO - Capital Liability Reserve Fund	507,323
Notes Receivable, Net	368,837
Capital Assets, Net	<u>138,887,060</u>
Total Noncurrent Assets	<u>139,763,220</u>
Total Assets	<u>147,022,048</u>
Deferred Outflows of Resources	
Deferred Loss on Defined Benefit Pension Plans	<u>2,634,074</u>

LIABILITIES

Current Liabilities	
Accounts Payable	2,906,913
Salaries Payable	135,160
Benefits Payable	86,416
Deposits	963,971
Advances (Including Tuition and Fees)	632,995
Other Liabilities	9,143
Deposits Held for Other Organizations	283,817
Lease Purchase Obligations	1,821,652
Compensated Absences	<u>888,241</u>
Total Current Liabilities	<u>7,728,308</u>
Noncurrent Liabilities	
Lease Purchase Obligations	70,669,668
Compensated Absences	844,991
Net Pension Liability	<u>27,906,366</u>
Total Noncurrent Liabilities	<u>99,421,025</u>
Total Liabilities	<u>107,149,333</u>
Deferred Inflows of Resources	
Deferred Gain on Defined Benefit Pension Plans	<u>3,448,223</u>

NET POSITION

Net Investment in Capital Assets	66,395,740
Restricted for:	
Expendable	407,177
Unrestricted	<u>-27,744,351</u>
Total Net Position	<u>\$ 39,058,566</u>

ALBANY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2016

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net)	\$ 12,658,025
Grants and Contracts	
Federal	8,389,997
State	238,932
Other	289,794
Sales and Services	246,774
Rents and Royalties	7,435
Auxiliary Enterprises	
Residence Halls	6,727,956
Bookstore	68,130
Food Services	4,206,285
Parking/Transportation	177,270
Health Services	342,452
Intercollegiate Athletics	1,430,387
Other Organizations	206,564
Other Operating Revenues	<u>268,005</u>
 Total Operating Revenues	 <u>35,258,006</u>

OPERATING EXPENSES

Salaries	
Faculty	10,975,391
Staff	18,722,427
Employee Benefits	9,372,229
Other Personal Services	257,690
Travel	327,603
Scholarships and Fellowships	7,545,043
Utilities	2,680,196
Supplies and Other Services	11,972,813
Depreciation	<u>6,823,314</u>
 Total Operating Expenses	 <u>68,676,706</u>
 Operating Income (Loss)	 <u>-33,418,700</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	19,454,105
Grants and Contracts	
Federal	9,233,305
Other	15,257
Gifts	145,914
Investment Income (Endowments, Auxiliary and Other)	68,347
Interest Expense (Capital Assets)	-3,467,082
Other Nonoperating Expenses	<u>-43,030</u>
 Net Nonoperating Revenues	 <u>25,406,816</u>
 Loss Before Other Revenues, Expenses, Gains, or Losses	 <u>-8,011,884</u>
 Capital Grants and Gifts	
State	<u>13,215</u>
 Decrease in Net Position	 -7,998,669
 Net Position - Beginning of Year, Restated	 <u>47,057,235</u>
 Net Position - End of Year	 <u>\$ 39,058,566</u>

ALBANY STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2016

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 27,088,106
Grants and Contracts (Exchange)	8,534,868
Payments to Suppliers	-23,771,605
Payments to Employees	-31,295,348
Payments for Scholarships and Fellowships	-5,923,257
Collection of Loans to Students	14,106
	<u>14,106</u>
Net Cash Used by Operating Activities	<u>-25,353,130</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	19,454,105
Agency Funds Transactions	-1,748,376
Gifts and Grants Received for Other than Capital Purposes	10,043,638
	<u>10,043,638</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>27,749,367</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	13,215
Purchases of Capital Assets	-523,912
Principal Paid on Capital Debt and Leases	-1,668,945
Interest Paid on Capital Debt and Leases	-3,467,082
	<u>-3,467,082</u>
Net Cash Used by Capital and Related Financing Activities	<u>-5,646,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	68,347
	<u>68,347</u>
Net Decrease in Cash	-3,182,140
Cash and Cash Equivalents - Beginning of Year	5,169,402
	<u>5,169,402</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,987,262</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ -33,418,700
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	6,823,314
Change in Assets and Liabilities:	
Receivables, Net	407,154
Prepaid Items	-9,788
Notes Receivable, Net	14,106
Accounts Payable	2,116,491
Salaries Payable	-102,884
Deposits	569,383
Advances (Including Tuition and Fees)	-613,113
Compensated Absences	-56,193
Net Pension Liability	4,533,137
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	-5,525,759
Deferred Outflows of Resources	-90,278
	<u>-90,278</u>
Net Cash Used by Operating Activities	<u>\$ -25,353,130</u>
NONCASH ACTIVITY	
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	\$ 692,732
Loss on Disposal of Capital Assets	<u>\$ -43,031</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The State's CAFR as of and for the year ended June 30, 2016 has not been issued as of the release of this report. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or found at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PREPARATION

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

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

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2016, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

For fiscal year 2016, the Institution adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

DUE FROM USO - CAPITAL LIABILITY RESERVE FUND

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. 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 University System Office. 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 USG has rental obligations under the PPV program. At the conclusion of the Institution's participation in the program, funds will be returned to the Institution. The balance included on the Institution's Statement of Net Position represents the Institution's contribution to the Fund.

NET POSITION

The Institution's net position is classified as follows:

Net Investment in Capital Assets: This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

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

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

Unrestricted: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$54,506.51. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

- Auxiliary Enterprises Operations – These resources are used for the continued operation of auxiliary enterprise activities, which are substantially self-supporting business operations conducted on campuses that provide services to students, faculty, and staff.
- Auxiliary Enterprises Renewals and Replacement (R&R) Reserve – These resources can be used for renewals and replacement of capitalizable assets related to auxiliary services. This R&R reserve can also be used for major renovations and rehabilitations auxiliary projects that do not meet the capitalization threshold.

SCHOLARSHIP ALLOWANCES

Scholarship allowances are the difference between the stated charge for goods and services provided by the Institution, and the amount that is paid by the students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$6,679,131 and \$1,567, respectively.

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

RESTATEMENT NOTE DISCLOSURE

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

- For fiscal year 2016, the Institution decreased beginning Net Position related to the Construction in Progress of a GSFIC-managed project in the amount of \$1,977,828. Georgia State Financing and Investment Commission is recording all activity related to this project on their books until project completion. This change is in accordance with generally accepted accounting principles.

Below is a summary of adjustments made to July 1, 2015 Net Position.

Business-type Activities:

Net Position, Beginning of Year, As Originally Reported	\$ 49,035,063
Adjustments related to correction of prior year errors	
Decrease in capital assets	<u>-1,977,828</u>
Net Position, Beginning of Year, Restated	<u>\$ 47,057,235</u>

NOTE 2: DEPOSITS AND INVESTMENTS

DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

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

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

At June 30, 2016, the carrying value of deposits was \$1,546,610 and the bank balance was \$2,833,081. Of the Institution's deposits, \$2,583,081 were uninsured. Of these uninsured deposits, \$2,583,081 were collateralized with securities held by the financial institution's trust department or agency in the Institution's name.

INVESTMENTS

At June 30, 2016, the carrying value of the Institution's investments was \$423,455, 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><u>423,455</u></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>.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

Student Tuition and Fees	\$ 1,632,233
Auxiliary Enterprises and Other Operating Activities	325,358
Federal Financial Assistance	1,608,628
Georgia State Financing and Investment Commission	692,732
Other	<u>2,377,201</u>
	6,636,152
Less: Allowance for Doubtful Accounts	<u>1,401,370</u>
Net Accounts Receivable	\$ <u><u>5,234,782</u></u>

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balance July 1, 2015 (Restated)	Capital Leases Recategorization	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated:					
Land	\$ 2,922,366				\$ 2,922,366
Construction Work-In-Progress	503,284	\$ 0	\$ 0	\$ 503,284	0
Total Capital Assets, Not Being Depreciated	3,425,650	0	0	503,284	2,922,366
Capital Assets, Being Depreciated:					
Infrastructure	14,112,338				14,112,338
Building and Building Improvements	117,498,962	77,797,176	514,924		195,811,062
Facilities and Other Improvements	7,049,912				7,049,912
Equipment	12,432,728	152,746	411,393	387,309	12,609,558
Capital Leases	78,168,952	-77,949,922		219,030	0
Library Collections	6,093,051		53,703	36,962	6,109,792
Capitalized Collections	50,000				50,000
Total Assets Being Depreciated	235,405,943	0	980,020	643,301	235,742,662
Less: Accumulated Depreciation:					
Infrastructure	4,494,086		291,278		4,785,364
Building and Building Improvements	57,473,550	16,217,158	3,249,513		76,940,221
Facilities and Other Improvements	4,154,014		133,412		4,287,426
Equipment	6,744,790	142,563	1,276,597	380,811	7,783,139
Capital Leases	14,734,626	-16,359,721	1,807,596	182,501	0
Library Collections	5,954,285		64,676	36,958	5,982,003
Capitalized Collections	-427		242		-185
Total Accumulated Depreciation	93,554,924	0	6,823,314	600,270	99,777,968
Total Capital Assets, Being Depreciated, Net	141,851,019	0	-5,843,294	43,031	135,964,694
Capital Assets, Net	\$ 145,276,669	\$ 0	\$ -5,843,294	\$ 546,315	\$ 138,887,060

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

Fiscal Year	Depreciation Expense
2016	\$ 6,823,314
2015	\$ 6,785,203
2014	\$ 6,622,647

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

Advances (Including Tuition and Fees) consisted of the following at June 30, 2016:

		Current Liabilities
Prepaid Tuition and Fees	\$	508,703
Research		124,292
Totals	\$	632,995

NOTE 6: LONG-TERM LIABILITIES

The Institution's Long-Term Liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Leases					
Lease Obligations	\$ 74,160,265	\$ 0	\$ 1,668,945	\$ 72,491,320	\$ 1,821,652
Other Liabilities					
Compensated Absences	1,789,424	1,200,832	1,257,024	1,733,232	888,241
Net Pension Liability	23,373,229	4,601,773	68,636	27,906,366	
Total	25,162,653	5,802,605	1,325,660	29,639,598	888,241
Total Long-Term Obligations	\$ 99,322,918	\$ 5,802,605	\$ 2,994,605	\$ 102,130,918	\$ 2,709,893

NOTE 7: NET POSITION

Changes in Net Position for the year ended June 30, 2016 are as follows:

	Beginning Balance July 1, 2015 (Restated)	Additions	Reductions	Ending Balance June 30, 2016
Net Investment in Capital Assets	\$ 71,116,404	\$ 2,145,681	\$ 6,866,345	\$ 66,395,740
Restricted Net Position	348,666	18,167,285	18,108,774	407,177
Unrestricted Net Position	-24,407,835	39,000,640	42,337,156	-27,744,351
Total Net Position	\$ 47,057,235	\$ 59,313,606	\$ 67,312,275	\$ 39,058,566

ALBANY STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2016

EXHIBIT "D"

The amounts within each category at June 30, 2016 were as follows:

Net Investment in Capital Assets	\$ 66,395,740
Restricted for	
Expendable	
Restricted E&G and Other Organized Activities	10,567
Federal Loans	396,610
Total Expendable	407,177
Unrestricted	
Auxiliary Operations	-780,433
R & R Reserve	2,632,014
Reserve for Encumbrances	557,348
Other Unrestricted	-30,660,603
USO Reserve Fund	507,323
Total Unrestricted	-27,744,351
Total Net Position	\$ 39,058,566

NOTE 8: LEASE OBLIGATIONS

The Institution 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. Expenditures for fiscal year 2016 were \$5,504,810 of which \$3,467,082 represented interest and \$368,783 represented executory costs. Total principal paid on capital leases was \$1,668,945 for the fiscal year ended June 30, 2016. 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, 2016:

Description	Gross Amount	Accumulated Depreciation	Net Assets Held Under Capital Lease at June 30, 2016	Outstanding Balances per Lease Schedules at June 30, 2016
	(+)	(-)	(=)	
Buildings - PPV	\$ 77,797,176	\$ 16,869,873	\$ 60,927,303	\$ 72,491,320

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.

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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, 2016.

CAPITAL LEASE SCHEDULE						
Description	Lessor (1)	Original Principal	Lease Term	Begin Date	End Date	Outstanding Principal Balance at June 30, 2016
PPV - Phase I H1-H4	ASU Foundation	\$ 32,195,313	28 Years	8/2006	7/2034	\$ 30,432,276
PPV - Phase 2 H5-H6	ASU Foundation	25,581,599	30 Years	7/2010	7/2040	24,932,315
PPV - Phase 2 Student Center	ASU Foundation	17,572,962	30 Years	7/2010	7/2040	17,126,729
Total Leases		<u>\$ 75,349,874</u>				<u>\$ 72,491,320</u>

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

OPERATING LEASES

The Institution's non-cancellable operating leases having remaining terms of more than one year and expire in fiscal year 2019. All agreements are cancellable 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.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled \$21,360 for the fiscal year ended June 30, 2016.

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, 2016, were as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2017	\$ 5,586,492	\$ 21,360
2018	5,664,365	21,360
2019	5,749,915	12,460
2020	5,833,671	
2021	5,923,028	
2022 - 2026	30,254,258	
2027 - 2031	30,761,710	
2032 - 2036	25,460,375	
2037 - 2040	10,717,967	
Total Minimum Lease Payments	125,951,781	\$ <u>55,180</u>
Less: Interest	42,473,727	
Less: Executory Costs (if paid)	<u>10,986,734</u>	
Principal Outstanding	<u>\$ 72,491,320</u>	

NOTE 9: RETIREMENT PLANS

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

In addition to the retirement plan administered by TRS and ERS, USG administers the Regents Retirement Plan as an optional retirement plan.

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

A. Defined Benefit Plans:

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

Summary of Significant Accounting Policies

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

General Information about the Teachers Retirement System

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

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

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Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2016. The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual Institution payroll. Institution contributions to TRS were \$2,630,325 for the year ended June 30, 2016. Contributions are expected 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, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Institution's contributions to ERS totaled \$3,749 for the year ended June 30, 2016. 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.

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

At June 30, 2016, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the Institution's TRS proportion was 0.183305%, which was a decrease of 0.001159% from its proportion measured as of June 30, 2014. At June 30, 2015, the Institution's ERS proportion was 0%, which was a decrease of 0.001830% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institution recognized pension expense of \$1,594,373 for TRS and \$-42,610 for ERS. At June 30, 2016, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 245,451		
Net difference between projected and actual earnings on pension plan investments		2,353,931		
Changes in proportion and differences between Institution contributions and proportionate share of contributions		792,535	\$ 56,306	
Institution contributions subsequent to the measurement date	\$ 2,630,325		\$ 3,749	
Total	\$ 2,630,325	\$ 3,391,917	\$ 3,749	\$ 56,306

Institution contributions subsequent to the measurement date of \$2,630,325 for TRS and \$3,749 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, 2017. 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
2017	\$ -1,375,676	\$ -39,228
2018	\$ -1,375,676	\$ -17,078
2019	\$ -1,375,678	
2020	\$ 754,394	
2021	\$ -19,281	

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Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 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

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, 2014 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%, 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
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%
Total	100.00%	

* 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 Institution's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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%)
Institution's proportionate share of the net pension liability	\$ 47,954,980	\$ 27,906,366	\$ 11,381,538

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Institution's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs, respectively.

B. Defined Contribution Plan

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia. 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 four approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The Institution 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 2016, 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.

The Institution and the covered employees made the required contributions of \$765,989 (9.24%) and \$497,396 (6%), respectively.

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

NOTE 10: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to four different healthcare plan options. For the USG's Plan Year 2016, the following healthcare plan options were available:

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

The Institution, 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 USG share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

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

The 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 USG, fully insured HMO healthcare plan are also offered to System employees.

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

Litigation, claims and assessments filed against the Institution (an organizational unit of the 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, 2016.

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

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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.

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 Institution 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.

As of June 30, 2016, there were 280 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred \$715,999 of expenditures, which was net of \$224,299 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.

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SUPPLEMENTARY INFORMATION

ALBANY STATE UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2016

SCHEDULE "1"

ASSETS

Accounts Receivable	
Federal Financial Assistance	\$ 1,608,627.70
Other	2,880,680.65
Prepaid Expenditures	<u>32,584.89</u>
 Total Assets	 \$ <u><u>4,521,893.24</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Cash Overdraft	\$ 197,181.88
Accrued Payroll	12,977.63
Encumbrances Payable	493,042.42
Accounts Payable	553,173.57
Deferred Revenue	<u>571,366.59</u>
 Total Liabilities	 <u>1,827,742.09</u>
Fund Balances	
Reserved	
Department Sales and Services	168,743.81
Indirect Cost Recoveries	1,318,356.64
Technology Fees	169,630.49
Restricted/Sponsored Funds	35.82
Uncollectible Accounts Receivable	982,877.88
Unreserved	
Surplus	<u>54,506.51</u>
 Total Fund Balances	 <u>2,694,151.15</u>
 Total Liabilities and Fund Balances	 \$ <u><u>4,521,893.24</u></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.

ALBANY STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2016

SCHEDULE "2"

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 19,471,697.00	\$ 19,471,697.00	\$ 0.00
Other Funds	<u>44,712,372.00</u>	<u>37,588,008.04</u>	<u>-7,124,363.96</u>
Total Revenues	64,184,069.00	57,059,705.04	-7,124,363.96
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	<u>0.00</u>	<u>2,264,534.02</u>	<u>2,264,534.02</u>
Total Funds Available	<u>64,184,069.00</u>	<u>59,324,239.06</u>	<u>-4,859,829.94</u>
<u>EXPENDITURES</u>			
Teaching	<u>64,184,069.00</u>	<u>56,902,111.93</u>	<u>7,281,957.07</u>
Excess of Funds Available over Expenditures	<u>\$ 0.00</u>	2,422,127.13	<u>\$ 2,422,127.13</u>
<u>FUND BALANCE JULY 1</u>			
Reserved		2,431,343.49	
Unreserved		17,592.15	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		105,639.55	
Prior Year Receivables/Revenues		-425.00	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2015		-17,592.15	
Prior Year Reserved Fund Balance Included in Funds Available		<u>-2,264,534.02</u>	
<u>FUND BALANCE JUNE 30</u>		<u>\$ 2,694,151.15</u>	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services		\$ 168,743.81	
Indirect Cost Recoveries		1,318,356.64	
Technology Fees		169,630.49	
Restricted/Sponsored Funds		35.82	
Uncollectible Accounts Receivable		<u>982,877.88</u>	
Total Reserved		2,639,644.64	
Unreserved			
Surplus		<u>54,506.51</u>	
Total Fund Balance		<u>\$ 2,694,151.15</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.

ALBANY STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	\$ 19,471,697.00	\$ 19,471,697.00	\$ 19,471,697.00	\$ 19,471,697.00
Other Funds	<u>46,566,355.00</u>	<u>46,566,355.00</u>	<u>44,712,372.00</u>	<u>37,588,008.04</u>
 Total Operating Activity	 <u>\$ 66,038,052.00</u>	 <u>\$ 66,038,052.00</u>	 <u>\$ 64,184,069.00</u>	 <u>\$ 57,059,705.04</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.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	
\$ 0.00	\$ -2,710.66	\$ 19,468,986.34	\$ -2,710.66	\$ 19,468,986.34	\$ 2,710.66	\$ 0.00
<u>2,264,534.02</u>	<u>2,710.66</u>	<u>39,855,252.72</u>	<u>-4,857,119.28</u>	<u>37,433,125.59</u>	<u>7,279,246.41</u>	<u>2,422,127.13</u>
<u>\$ 2,264,534.02</u>	<u>\$ 0.00</u>	<u>\$ 59,324,239.06</u>	<u>\$ -4,859,829.94</u>	<u>\$ 56,902,111.93</u>	<u>\$ 7,281,957.07</u>	<u>\$ 2,422,127.13</u>

ALBANY STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2015 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 2,939.34	\$ 0.00	\$ -2,939.34	\$ 29,044.10
Other Funds	<u>2,279,186.83</u>	<u>-2,264,534.02</u>	<u>-14,652.81</u>	<u>76,170.45</u>
Total Teaching	2,282,126.17	-2,264,534.02	-17,592.15	105,214.55
 Prior Year Reserves				
Not Available for Expenditure				
Uncollectible Accounts Receivable	<u>166,809.47</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 Budget Unit Totals	<u>\$ 2,448,935.64</u>	<u>\$ -2,264,534.02</u>	<u>\$ -17,592.15</u>	<u>\$ 105,214.55</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 2016 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ 0.00	\$ 0.00	\$ 0.00	\$ 29,044.10	\$ 0.00	\$ 0.00	\$ 0.00
<u>-816,068.41</u>	<u>0.00</u>	<u>2,422,127.13</u>	<u>1,682,229.17</u>	<u>1,656,766.76</u>	<u>54,506.51</u>	<u>1,711,273.27</u>
-816,068.41	0.00	2,422,127.13	1,711,273.27	1,656,766.76	54,506.51	1,711,273.27
<u>816,068.41</u>	<u>0.00</u>	<u>0.00</u>	<u>982,877.88</u>	<u>982,877.88</u>	<u>0.00</u>	<u>982,877.88</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 2,422,127.13</u>	<u>\$ 2,694,151.15</u>	<u>\$ 2,639,644.64</u>	<u>\$ 54,506.51</u>	<u>\$ 2,694,151.15</u>

Summary of Ending Fund Balance

Reserved

Department Sales and Services	\$ 168,743.81	\$ 168,743.81
Indirect Cost Recoveries	1,318,356.64	1,318,356.64
Technology Fees	169,630.49	169,630.49
Restricted/Sponsored Funds	35.82	35.82
Uncollectible Accounts Receivable	982,877.88	982,877.88

Unreserved

Surplus	<u>\$ 54,506.51</u>	<u>54,506.51</u>
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Total Ending Fund Balance - June 30	<u>\$ 2,639,644.64</u>	<u>\$ 54,506.51</u>	<u>\$ 2,694,151.15</u>
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SECTION II

ENTITY'S RESONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

ALBANY STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001 Deficiencies in Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-521-11-01 Deficiencies in Student Financial Aid Process

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

Finding Status: Partially Resolved

The University has changed leadership in the Office of Financial Aid. Updated policies and procedures have been developed to ensure compliance with Return of Title IV. Beginning in fiscal year 2017, administrators will review all official withdrawals and perform a monthly quality assessment review of the Return of Title IV Funds (R2T4) calculations to ensure all returns are completed accurately and returned to the proper Federal program within the 45 days.

FA 2015-001 Overpayment of Student Financial Assistance

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

Finding Status: Partially Resolved

The University changed leadership in the Office of Financial Aid. All processes and procedures relative to determining student eligibility have been reviewed and updated to ensure Federal student aid compliance. In addition, the University is awaiting a response from the U.S. Department of Education in regards to the resolution of this finding.

ALBANY STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-002 Undocumented Cost of Attendance Budgets

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

Finding Status: Unresolved

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 have been updated to ensure compliance.

FA 2015-003 Reports Not Reconciled

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

Finding Status: Partially Resolved

The University has changed leadership in the Office of Financial Aid. A new position, Loan Reconciliation Specialist (LRS), was added to the Organizational Chart for the Office of Financial Aid. The LRS is responsible for conducting and documenting a monthly reconciliation for all federal loan programs between COD, Banner and PeopleSoft. The Office of Financial Aid staff will engage in training in regards to awarding, disbursing and reconciling the Federal Direct Loans. In addition, the University is awaiting a response from the U.S. Department of Education in regards to the resolution of this finding.

FA 2015-004 Verification Process

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

Finding Status: Partially Resolved

The University has changed leadership in the Office of Financial Aid. All processes and procedures relative to determining student eligibility and conducting verification have been reviewed and updated to ensure Federal Student Aid compliance. The new leadership has implemented a system of internal controls and monitoring to ensure that documents are received and maintained securely. All staff responsible for completing verification have been properly trained to ensure compliance. In addition, the University is awaiting a response from the U.S. Department of Education in regards to the resolution of this finding.

ALBANY STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-005 Return of Title IV Funds

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

Finding Status: Unresolved

The University has changed leadership in the Office of Financial Aid. Updated policies and procedures have been developed to ensure compliance with Return of Title IV. Beginning in fiscal year 2017, administrators will review all official withdrawals and perform a monthly quality assessment review of the R2T4 calculations to ensure all returns are completed accurately and returned to the proper Federal Program within the 45 days.

FA 2015-006 Inadequate Internal Controls over Unofficial Withdrawals

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

Finding Status: Partially Resolved

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 have undergone training to ensure that accurate and timely return of funds is performed. In addition, the University is awaiting a response from the U.S. Department of Education in regards to the resolution of this finding.

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

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

Finding Status: Unresolved

The University has changed leadership in the Office of Financial Aid. A new position, Loan Reconciliation Specialist (LRS), was added to the Organizational Chart for the Office of Financial Aid. The LRS is responsible for conducting and documenting a monthly reconciliation for all Federal loan programs between COD, Banner and PeopleSoft. The Office of Financial Aid staff will engage in training in regards to awarding, disbursing and reconciling the Federal Direct Loans.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

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

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

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

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001 Undocumented Cost of Attendance Budgets

Compliance Requirement:	Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster
Questioned Cost:	None Identified
Repeat of Prior Year Finding:	FA 2015-002

Description:

The Institution'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 Institution's Cost of Attendance (COA) budgets, it was noted that Institution 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.

Questioned Cost:

N/A

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the Institution 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 Institution 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 Institution, a majority of the student population may have been significantly overawarded.

Recommendation:

The Institution should reevaluate the components used in the COA budgets and document that these costs represent average costs for students enrolled at the Institution. The Institution 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 Institution 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 Institution 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.

Contact Person: Stephanie Lawrence, Director of Financial Aid
Telephone: (229) 430-4650; Fax: (229) 430-3936
E-Mail: Stephanie.lawrence@asurams.edu

FA 2016-002 Return of Title IV Funds

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster
Questioned Cost:	\$5,309.00
Repeat of Prior Year Finding:	FA-521-11-01 FA 2015-005

Description:

The Institution did not properly perform the refund process to ensure that unearned Title IV funds were returned in a timely manner.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

Provisions included in 34 CFR 668.22 provides requirements over the treatment of Title IV funds when a student withdraws. The Institution 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.

Condition:

Thirty-two students who received Federal financial assistance for the Fall 2015 and Spring 2016 semesters and withdrew from the Institution 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 one student who withdrew during the Fall 2015 semester and four students who withdrew during Spring 2016 were calculated incorrectly due the use of inaccurate institutional charges, incorrect Title IV aid information, inaccurate term scheduled end dates and/or the improper number of scheduled break days. These students were requested to return \$5,309.00 less than the required amount to various SFA programs.
2. The proration between the school and student portion of the refund was incorrect for seven of the students who withdrew during the Fall 2015 semester and four of the students who withdrew during the Spring 2016 semester.
3. Funds were not returned to the appropriate grantor programs within the required time frame of 45 days for two of the withdrawn students tested.
4. Funds were not returned to the appropriate grantor programs within the required time frame of 30 days after the semester ended for eight of the withdrawn students tested.

Questioned Cost:

Questioned cost of \$5,309.00, with likely questioned cost of \$30,775.09, 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, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The Institution 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 Institution 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. We will ensure that any breaks over five days are calculated as scheduled breaks to include all weekend days before and after a scheduled holiday break starting with the Fall 2016 term. Administrators will review all official withdrawals and perform a monthly quality assessment review of all Return of Title IV Funds (R2T4) calculations to ensure all returns are completed accurately and returned to the proper Federal Program within the 45 days. We will also verify that the amount of awards sent back to the Department of Education are compliant with Federal Regulations. The Office of Financial Aid, coupled with the Registrar's Office has updated its policy and procedure completion on each eligible student. 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.

Contact Person: Stephanie Lawrence, Director of Financial Aid
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E-Mail: Stephanie.lawrence@asurams.edu

FA 2016-003 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
Pass-Through Entity:	None
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster
Questioned Cost:	None Identified
Repeat of Prior Year Finding:	FA 2015-007

Description:

The Institution 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:

Institution 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.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

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 Office of Financial Aid, the Institution could not locate documentation for the reconciliations performed during the fiscal year or determine if this documentation initially existed.

Effect or Potential Effect:

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

Recommendation:

The Institution should establish procedures and assign responsibility for the monthly and yearly reconciliation of the Federal Direct Loan program. The Institution's financial aid and business office should maintain their internal records in such a way that they can prepare for the monthly reconciliation. The Institution 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 Institution has changed leadership in the Office of Financial Aid. A new position, Loan Reconciliation Specialist (LRS), was added to the Organizational Chart for the Office of Financial Aid. The LRS is responsible for conducting and documenting a monthly reconciliation for all Federal loan programs between COD, Banner and PeopleSoft. The Office of Financial Aid staff will engage in training in regards to awarding, disbursing and reconciling the Federal Direct Loans. We will also engage in consultation with the Department of Education, as required, and consistently review the FSA Handbook for guidance on policy and procedural development.

Contact Person: Stephanie Lawrence, Director of Financial Aid
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E-Mail: Stephanie.lawrence@asurams.edu

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Inadequate Controls over Financial Reporting

Observation:

Several errors were noted during our review of the Institution'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 journal entries caused Accounts Payable to be understated by \$986,490, Beginning Net Position to be overstated by \$1,009,204, and Interest Expense to be overstated by \$22,714, due to not reporting Interest Payable. In addition, a misclassification of unrestricted net position accounts occurred.
2. Errors noted in journal entries posted by the Institution caused Salaries - Staff to be overstated and Employee Benefits to be understated by \$1,113,230.
3. The Institution could not provide adequate supporting documentation for \$103,460 of accounts receivable reflected on the Statement of Net Position.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

4. Note disclosures relating to Accounts Receivable, Net Position, Regents Retirement Plan and Post-Employment Benefits also reflected insignificant errors.
5. The Institution noted prior year disclosure errors in association with the reporting of GSFIC projects. This error was corrected in the current fiscal year as a restatement to net position and capital assets.

Recommendation:

The Institution 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:

ASU will continue to strengthen accounting controls and improve the review process to prevent and/or correct errors prior to the preparation of the Fiscal Year 17 Financial Reports.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs

Telephone: (229) 430-4609

E-mail: shawn.mcgee@asurams.edu

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 Institution's Procurement Card (P-Card) Manual. The Institution was unable to provide sufficient documentation for three transactions, one transaction was unallowable according to the Institution's policy, and sales tax was paid on a purchase, 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 outlined in the Institution'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.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs

Telephone: 229-430-4609

E-mail: shawn.mcgee@asurams.edu

Inaccurate Reporting of Senior Management Compensation

Observation:

The detailed listing of salary payments submitted to the Georgia Department of Audits and Accounts did not include certain amounts paid to the President. Amounts deposited into the Board of Regents' Executive Deferred Compensation plan on behalf of the President were not reported appropriately.

Recommendation:

The Institution should implement procedures to ensure that detailed listings of salary and travel include all compensation paid to or on behalf of employees prior to submission to the Georgia Department of Audits and Accounts.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Views of Responsible Officials and Corrective Action Plans:

ASU will implement procedures to ensure the proper reporting of compensation of Senior Staff.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs

Telephone: 229-430-4609

E-mail: shawn.mcgee@asurams.edu

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 Institution'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 \$1,962,132 and is in a deficit of \$1,475,078. The Intercollegiate Athletics fund reported an overall net loss of \$388,434 and is in a deficit of \$1,507,207. The Parking/Transportation fund reported an overall net loss of \$2,308 and is in a deficit of \$442,729.

Recommendation:

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

Views of Responsible Officials and Corrective Action Plans:

Management is aware of the deficits associated with the above stated Auxiliary units. The Institution is currently working internally and with University System of Georgia personnel to develop and implement steps to prevent such occurrences in the future and developing a multi-year strategy to eliminate the deficits.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs

Telephone: 229-430-4609

E-mail: shawn.mcgee@asurams.edu

Accounting Controls Overall

Observation:

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

Recommendation:

Management should review and enhance their policies and procedures to ensure the integrity and accuracy of the information used 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:

We concur with the deficiency. The Institution will update and modify policies and procedures to ensure adequate separation of duties and internal controls over logical access to financial applications. User account permissions will be evaluated for the appropriate level of access across the Institution. User accounts will be monitored for recertification on a quarterly basis.

ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Contact Person: Del Kimbrough, Chief Information Officer
Telephone: (229) 430 3006
E-mail: del.kimbrough@asurams.edu

Excessive Cash Balances

Observation:

Upon review of cash drawdowns and disbursements related to the Federal Direct Loan and Pell grant programs, excessive cash balances were noted for multiple months in the fiscal year. Provisions included in 34 CFR 668.166(a)(1), "The Secretary considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary."

Recommendation:

The Institution should establish procedures to ensure that Federal Direct Loan and Pell grant funds are disbursed within three business days of the receipt of such funds. The Institution should only request Federal Direct Loan and Pell grant funds when the amounts are immediately needed to disburse funds to students or parents. Additionally, the Institution should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials and Corrective Action Plans:

We concur with this deficiency. The Institution will establish procedures to ensure that Federal Direct Loan and Pell grant funds are disbursed within three business days of the receipt of such funds.

Contact Person: Shawn McGee, Vice President for Fiscal Affairs
Telephone: 229-430-4609
E-mail: shawn.mcgee@asurams.edu

Unofficial Withdrawals

Observation:

Our review of a sample of five students to test the Institution's compliance with 34 CFR 668.22, which is related to the return of Title IV funds, revealed that a refund was not calculated for one student who unofficially withdrew.

Recommendation:

We recommend that the Institution review its policies and procedures to ensure that students who unofficially withdrew and received Title IV funds are identified and the required refund calculation is performed.

Views of Responsible Officials and Corrective Action Plans:

We concur with this deficiency. The Institution will continue to update procedures to ensure that students who unofficially withdraw are identified and the required refund calculation is performed.

Contact Person: Stephanie Lawrence, Director of Financial Aid
Telephone: (229) 430-4650
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ALBANY STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Untimely Enrollment Reporting

Observation:

Our testing of 32 students who withdrew during the Fall 2015 and Spring 2016 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, seventeen students' withdrawn enrollment statuses were never reported to NSLDS.

Recommendation:

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

Views of Responsible Officials and Corrective Action Plans:

We concur with this deficiency. The Institution acknowledges that unofficially and officially withdrawn students' enrollment statuses were not properly reported. The Institution will implement procedures to ensure proper reporting of enrollment status for all students, including unofficially withdrawn students and implement a monitoring process to ensure controls are properly implemented.

Contact Person: Victoria Eiland, Registrar

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