

DARTON STATE COLLEGE

Albany, Georgia

Full Disclosure Management Report

Fiscal Year Ended June 30, 2015



DARTON STATE COLLEGE

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

LETTER OF TRANSMITTAL

SELECTED FINANCIAL INFORMATION

EXHIBITS

A	STATEMENT OF NET POSITION - (GAAP BASIS)	2
B	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)	3
C	STATEMENT OF CASH FLOWS - (GAAP BASIS)	4
D	SELECTED FINANCIAL NOTES	6

SUPPLEMENTARY INFORMATION

SCHEDULES

1	BALANCE SHEET - (STATUTORY BASIS) BUDGET FUND	22
2	SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS) BUDGET FUND	23
3	STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE (STATUTORY BASIS) BUDGET FUND	24
4	STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE (STATUTORY BASIS) BUDGET FUND	26
5	RECONCILIATION OF BUDGET TO GAAP	28
6	RECONCILIATION OF SALARIES AND TRAVEL	29

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

DARTON STATE COLLEGE

- TABLE OF CONTENTS -

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

(This page left intentionally blank)

SECTION I

FINANCIAL

(This page left intentionally blank)



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 15, 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. Paul Jones, Interim President
Darton State College

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 Darton State College. Accordingly, the financial statements and compliance activities of Darton State College 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 Darton State College 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 Darton State College, 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 of Greg S. Griffin in black ink, written in a cursive style.

Greg S. Griffin
State Auditor

GSG:er

(This page left intentionally blank)

SELECTED FINANCIAL INFORMATION

DARTON STATE COLLEGE
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2015

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 8,664,428
Accounts Receivable, Net (Note 3)	
Federal Financial Assistance	153,624
Other	2,091,929
Inventories	16,749
	<hr/>
Total Current Assets	10,926,730
	<hr/>
Noncurrent Assets	
Due from USO - Capital Liability Reserve Fund	307,038
Capital Assets, Net (Note 4)	74,005,228
	<hr/>
Total Noncurrent Assets	74,312,266
	<hr/>
Total Assets	85,238,996
	<hr/>
Deferred Outflows of Resources	
Related to Defined Benefit Pension Plans	2,375,573
	<hr/>

LIABILITIES

Current Liabilities	
Accounts Payable	432,754
Salaries Payable	76,899
Benefits Payable	57,374
Deposits	252,599
Advances (Including Tuition and Fees) (Note 5)	2,525,850
Deposits Held for Other Organizations	923,877
Lease Purchase Obligations	607,246
Compensated Absences	542,905
	<hr/>
Total Current Liabilities	5,419,504
	<hr/>
Noncurrent Liabilities	
Lease Purchase Obligations	42,463,402
Advances	200,000
Compensated Absences	392,419
Net Pension Liability	15,824,443
	<hr/>
Total Noncurrent Liabilities	58,880,264
	<hr/>
Total Liabilities	64,299,768
	<hr/>
Deferred Inflows of Resources	
Deferred Gain on Debt Refunding	1,255,954
Related to Defined Benefit Pension Plans	5,516,736
	<hr/>
Total Deferred Inflows of Resources	6,772,690
	<hr/>

NET POSITION

Net Investment in Capital Assets	29,678,627
Unrestricted	-13,136,516
	<hr/>
Total Net Position	\$ 16,542,111
	<hr/>

DARTON STATE COLLEGE
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)	\$ 18,191,415
Less: Scholarship Allowances	-7,331,422
Grants and Contracts	
Federal	163,951
State	1,526,532
Other	457,206
Sales and Services	127,419
Auxiliary Enterprises	
Residence Halls	2,768,096
Bookstore	209,645
Food Services	1,332,989
Health Services	44,571
Intercollegiate Athletics	1,200,465
Other Organizations	193,656
Other Operating Revenues	<u>176,000</u>
Total Operating Revenues	<u>19,060,523</u>

OPERATING EXPENSES

Salaries	
Faculty	10,041,350
Staff	10,234,511
Employee Benefits	5,990,876
Other Personal Services	170,954
Travel	212,490
Scholarships and Fellowships	8,599,843
Utilities	1,497,073
Supplies and Other Services	7,611,133
Depreciation	<u>3,385,216</u>
Total Operating Expenses	<u>47,743,446</u>
Operating Loss	<u>-28,682,923</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	17,012,706
Grants and Contracts	
Federal	14,139,712
Gifts	445,906
Investment Income (Endowments, Auxiliary and Other)	7,984
Interest Expense (Capital Assets)	-2,645,981
Other Nonoperating Expenses	<u>-13,486</u>
Net Nonoperating Revenues	<u>28,946,841</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>263,918</u>
Capital Grants and Gifts	
State	539,178
Other	<u>100,000</u>
Total Other Revenues, Expenses, Gains or Losses	<u>639,178</u>
Increase in Net Position	<u>903,096</u>
Net Position - Beginning of Year, Originally Reported	35,004,231
Prior Year Adjustments	<u>-19,365,216</u>
Net Position - Beginning of Year, Restated	<u>15,639,015</u>
Net Position - End of Year	<u>\$ 16,542,111</u>

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

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 11,223,488
Grants and Contracts (Exchange)	1,743,960
Sales and Services	127,419
Payments to Suppliers	-15,865,336
Payments to Employees	-20,401,289
Payments for Scholarships and Fellowships	-8,599,842
Auxiliary Enterprise Charges:	
Residence Halls	2,736,451
Bookstore	109,771
Food Services	1,322,124
Health Services	45,414
Intercollegiate Athletics	1,183,812
Other Organizations	193,572
Other Receipts, Net	<u>369,975</u>
Net Cash Used by Operating Activities	<u>-25,810,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	17,012,706
Agency Funds Transactions	88,207
Gifts and Grants Received for Other than Capital Purposes	<u>14,585,618</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>31,686,531</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	639,178
Purchases of Capital Assets	-916,817
Principal Paid on Capital Debt and Leases	-380,681
Interest Paid on Capital Debt and Leases	<u>-2,645,981</u>
Net Cash Used by Capital and Related Financing Activities	<u>-3,304,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>7,984</u>
Net Increase in Cash	2,579,733
Cash and Cash Equivalents - Beginning of Year	<u>6,084,695</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 8,664,428</u></u>

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

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating Loss	\$ -28,682,923
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	3,385,216
Change in Assets and Liabilities:	-481,459
Receivables, Net	-2,638
Accounts Payable	-22,389
Salaries Payable	41,224
Advances (Including Tuition and Fees)	445,123
Other Liabilities	33,686
Compensated Absences	-126,712
Net Pension Liability	-5,109,981
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	5,516,736
Deferred Outflows of Resources	<u>-806,364</u>

Net Cash Used by Operating Activities	\$ <u><u>-25,810,481</u></u>
---------------------------------------	------------------------------

NONCASH ACTIVITY

Lease Debt Reduction Due to Debt Refunding	\$ <u><u>1,260,155</u></u>
--	----------------------------

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Darton State College 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 Darton State College 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. Darton State College does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Darton State College 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 College'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 College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's 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. All significant intra-College transactions have been eliminated.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the College 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 College's financial statements.

In fiscal year 2015, the College 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 College's financial statements.

In fiscal year 2015, the College 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*,

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

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 No. 68 had a significant impact on the College'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 additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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 College. Darton State College's contribution to the fund as of June 30, 2015 was \$307,038.

NET POSITION

The College's net position is classified as follows:

Net Investment in Capital Assets: This represents the College'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.

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 category above. Impacting the net deficit reported is the College's Net Pension liability of \$16 million which is required for financial reporting and will not impact the economics of the plan or affect budgets or cash flows.

RESTATEMENT NOTE DISCLOSURE

For fiscal year 2015, the College 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 \$19,365,216 attributable to a net pension liability of \$20,934,425 less plan contributions of \$1,569,209 made during fiscal year 2014. This change is in accordance with generally accepted accounting principles.

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

NOTE 2: DEPOSITS

DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the College) 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 \$8,653,828 and the bank balance was \$10,107,483. Of the College's deposits, \$9,857,483 were uninsured. Of these uninsured deposits, \$9,857,483 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the College's name.

NOTE 3: ACCOUNTS RECEIVABLE

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

Student Tuition and Fees	\$ 476,273
Auxiliary Enterprises and Other Operating Activities	243,047
Federal Financial Assistance	153,624
Georgia State Financing and Investment Commission	254,173
Other	<u>1,918,732</u>
	3,045,849
Less Allowance for Doubtful Accounts	<u>800,296</u>
Net Accounts Receivable	<u><u>\$ 2,245,553</u></u>

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in the College'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	\$ 989,113			\$ 989,113
Construction Work-In-Progress	22,777	\$ 539,178	\$ 126,560	435,395
Total Capital Assets, Not Being Depreciated	1,011,890	539,178	126,560	1,424,508
Capital Assets, Being Depreciated:				
Building and Building Improvements	50,400,930	126,560		50,527,490
Facilities and Other Improvements	1,518,927			1,518,927
Equipment	4,441,111	305,943	284,106	4,462,948
Capital Leases	45,598,056			45,598,056
Library Collections	3,775,319	71,696	2,091	3,844,924
Total Assets Being Depreciated	105,734,343	504,199	286,197	105,952,345
Less: Accumulated Depreciation:				
Building and Building Improvements	17,044,612	1,295,546		18,340,158
Facilities and Other Improvements	1,344,416	6,279		1,350,695
Equipment	3,178,580	570,965	270,620	3,478,925
Capital Leases	5,351,484	1,423,471		6,774,955
Library Collections	3,340,028	88,955	2,091	3,426,892
Total Accumulated Depreciation	30,259,120	3,385,216	272,711	33,371,625
Total Capital Assets, Being Depreciated, Net	75,475,223	-2,881,017	13,486	72,580,720
Capital Assets, Net	\$ 76,487,113	\$ -2,341,839	\$ 140,046	\$ 74,005,228

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

Fiscal Year	Depreciation Expense
2015	\$ 3,385,216
2014	\$ 3,470,072
2013	\$ 3,098,867

NOTE 5: ADVANCES

Advances consisted of the following at June 30, 2015.

Prepaid Tuition and Fees	\$ 1,862,642
Other Advances	863,208
Total Advances	\$ 2,725,850

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

NOTE 6: LONG-TERM LIABILITIES

The College'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	\$ 44,711,483	\$ 0	\$ 1,640,835	\$ 43,070,648	\$ 607,246
Other Liabilities					
Compensated Absences	1,062,038	717,558	844,272	935,324	542,905
Net Pension Liability	20,934,425		5,109,982	15,824,443	
Total	21,996,463	717,558	5,954,254	16,759,767	542,905
Total Long-Term Obligations	\$ 66,707,946	\$ 717,558	\$ 7,595,089	\$ 59,830,415	\$ 1,150,151

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	\$ 31,775,630	\$ -1,956,958	\$ 140,045	\$ 29,678,627
Restricted Net Position	0	16,287,401	16,287,401	0
Unrestricted Net Position	-16,136,615	36,975,566	33,975,467	-13,136,516
Total Net Position	\$ 15,639,015	\$ 51,306,009	\$ 50,402,913	\$ 16,542,111

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

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

Net Investments in Capital Assets	\$ <u>29,678,627</u>
Unrestricted	
R & R Reserve	1,247,491
Reserve for Encumbrances	2,591,594
Reserve for Inventory	12,973
Other Unrestricted	<u>-16,988,574</u>
Total Unrestricted	<u>-13,136,516</u>
Total Net Position	\$ <u><u>16,542,111</u></u>

NOTE 8: LEASE OBLIGATIONS

Darton State College is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and 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 2040 and 2041. Payments for fiscal year 2015 were \$3,026,662 of which \$2,645,981 represented interest. Total principal reduction on capital leases for fiscal year ending June 30, 2015 was \$1,640,836, which is attributable to a gain on debt refunding of \$1,260,155 and principal paid on capital leases of \$380,681. Interest rates range from 5.78 percent to 5.93 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>
Equipment	\$ 747,060	\$ 747,060	\$ 0	\$ 0
Buildings - (PPV Only)	<u>44,850,996</u>	<u>6,027,895</u>	<u>38,823,101</u>	<u>43,070,648</u>
Total Assets Held Under Capital Lease at June 30, 2015	<u>\$ 45,598,056</u>	<u>\$ 6,774,955</u>	<u>\$ 38,823,101</u>	<u>\$ 43,070,648</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.

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:

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

CAPITAL LEASE SCHEDULE

<u>Description</u>	<u>Lessor (1)</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Outstanding Principal Balance at June 30, 2015</u>
Darton Student Center	USG Foundation (2)	\$ 21,468,642	30 years	7/2010	6/2040	\$ 20,173,433
Darton Commons	Darton Boosters Inc.	10,697,505	30 years	12/2010	6/2041	10,180,773
Darton Village South	Darton Boosters Inc.	12,684,849	30 years	7/2011	6/2041	12,716,442
Total Leases		<u>\$ 44,850,996</u>				<u>\$ 43,070,648</u>

(1) These Capital leases are with related entities.

(2) In June 2015, the Georgia Higher Education Facilities Authority refunded the bonds associated with this lease and passed the economic advantages of this refund to the USG Foundation. The USG Foundation then passed the economic advantages of this refund to the College by reducing the future minimum lease payments and the effective interest rate of the bonds. As a result of this refund, the College recognized a Deferred Gain on Debt Refunding in the amount of \$1,260,155. The unamortized Deferred Gain on Debt Refunding at year-end related to this transaction is \$1,255,954.

OPERATING LEASES

Darton State College's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 to 2019. 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.

Darton State College's fiscal year 2015 expense for rental of real property and equipment under operating leases was \$108,332.

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

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
	<hr/>	<hr/>
Year Ending June 30:		
2016	\$ 3,015,649	\$ 72,258
2017	3,089,775	34,060
2018	3,147,536	23,829
2019	3,200,002	7,052
2020	3,244,339	
2021 - 2025	16,583,054	
2026 - 2030	16,640,196	
2031 - 2035	16,709,110	
2036 - 2040	15,941,415	
2041	1,746,629	
	<hr/>	<hr/>
Total Minimum Lease Payments	83,317,705	\$ <u>137,199</u>
Less: Interest	<u>40,247,057</u>	
Principal Outstanding	\$ <u>43,070,648</u>	

NOTE 9: RETIREMENT PLANS

Darton State College participates in a retirement plan administered by the State of Georgia under the Teachers' Retirement System of Georgia (TRS). The system issues separate publicly available financial reports that include the applicable financial statements and required supplementary information. Reports may be obtained from the Teachers' Retirement System of Georgia administrative office.

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

Teachers' Retirement System of Georgia

General Information about the Teachers' Retirement System

Plan description: All teachers of the College 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.

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2015. The College's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual College payroll. College contributions to TRS were \$1,649,342 for the reporting period (fiscal year ended June 30, 2015) and \$1,569,209 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 College reported a liability for its proportionate share of the net pension liability for TRS of \$15,824,443. 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 College's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2014. At June 30 2014, the College's TRS proportion was 0.125%, which was an increase of 0.005% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$1,249,732. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 5,516,736
Changes in proportion and differences between College contributions and proportionate share of contributions	\$ 726,231	
College contributions subsequent to the measurement date	1,649,342	
Total	\$ 2,375,573	\$ 5,516,736

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

College contributions subsequent to the measurement date of \$1,649,342 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 Ending June 30:	<u>TRS</u>
2016	\$ -1,214,131
2017	\$ -1,214,131
2018	\$ -1,214,131
2019	\$ -1,214,131
2020	\$ 66,019

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:

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, 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 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

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

Discount rate: The discount rate used to measure the total TRS 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 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 College's proportionate share of the net pension liability to changes in the discount rate: The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College'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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	\$ 29,162,326	\$ 15,824,443	\$ 4,840,974

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial reports which are publically available at www.trsga.com/publications.

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

Darton State College 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.

Darton State College and the covered employees made the required contributions of \$377,895 (9.24%) and \$245,386 (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

Darton State College 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 \$100,877 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

Darton State College 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.

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

EXHIBIT "D"

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. Darton State College, 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 Darton State College expects such amounts, if any, to be immaterial to its overall financial positions.

Litigation, claims and assessments filed against Darton State College (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.

DARTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2015

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 College 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 116 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, Darton State College recognized as incurred \$535,980 of expenditures, which was net of \$213,616 of participant contributions.

NOTE 13: AFFILIATED ORGANIZATIONS

The Darton State College Foundation, Inc., and the Darton Boosters Inc. are legally separate, tax exempt organizations whose activities primarily support Darton State College. These affiliated organizations are considered potential component units 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, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements for the affiliated organizations may be obtained from Darton State College.

(This page left intentionally blank)

SUPPLEMENTARY INFORMATION

DARTON STATE COLLEGE
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2015

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$ 4,110,096.21
Accounts Receivable	
Federal Financial Assistance	153,624.67
Other	2,120,494.78
Inventories	<u>16,748.75</u>

Total Assets	\$ <u><u>6,400,964.41</u></u>
--------------	-------------------------------

LIABILITIES AND FUND EQUITY

Liabilities	
Accrued Payroll	\$ 70,822.52
Encumbrances Payable	2,530,906.27
Accounts Payable	71,122.98
Deferred Revenue	<u>2,070,934.63</u>
Total Liabilities	<u>4,743,786.40</u>

Fund Balances

Reserved	
Department Sales and Services	50,397.97
Indirect Cost Recoveries	304,988.38
Technology Fees	296,953.30
Uncollectible Accounts Receivable	675,442.12
Tuition Carry-Over	316,033.74
Inventories	12,972.90
Unreserved	
Surplus	<u>389.60</u>
Total Fund Balances	<u>1,657,178.01</u>

Total Liabilities and Fund Balances	\$ <u><u>6,400,964.41</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.

DARTON STATE COLLEGE
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 17,023,516.00	\$ 17,023,516.00	\$ 0.00
Other Funds	<u>36,697,888.00</u>	<u>32,515,502.69</u>	<u>-4,182,385.31</u>
Total Revenues	53,721,404.00	49,539,018.69	-4,182,385.31
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	<u>0.00</u>	<u>901,199.80</u>	<u>901,199.80</u>
Total Funds Available	<u>53,721,404.00</u>	<u>50,440,218.49</u>	<u>-3,281,185.51</u>
<u>EXPENDITURES</u>			
Teaching	<u>53,721,404.00</u>	<u>49,384,130.67</u>	<u>4,337,273.33</u>
Excess of Funds Available over Expenditures	<u>\$ 0.00</u>	<u>1,056,087.82</u>	<u>\$ 1,056,087.82</u>
<u>FUND BALANCE JULY 1</u>			
Reserved		1,501,900.39	
Unreserved		10,809.93	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		389.60	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-10,809.93	
Prior Year Reserved Fund Balance Included in Funds Available		<u>-901,199.80</u>	
<u>FUND BALANCE JUNE 30</u>		<u>\$ 1,657,178.01</u>	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	50,397.97	
Indirect Cost Recoveries		304,988.38	
Technology Fees		296,953.30	
Uncollectible Accounts Receivable		675,442.12	
Tuition Carry-Over		316,033.74	
Inventories		<u>12,972.90</u>	
Total Reserved		1,656,788.41	
Unreserved			
Surplus		<u>389.60</u>	
Total Fund Balance	\$	<u>1,657,178.01</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.

DARTON STATE COLLEGE
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2015

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	\$ 16,367,216.00	\$ 16,367,216.00	\$ 17,023,516.00	\$ 17,023,516.00
Other Funds	<u>35,365,883.00</u>	<u>35,365,883.00</u>	<u>36,697,888.00</u>	<u>32,515,502.69</u>
 Total Operating Activity	 <u>\$ 51,733,099.00</u>	 <u>\$ 51,733,099.00</u>	 <u>\$ 53,721,404.00</u>	 <u>\$ 49,539,018.69</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
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	Available Over Expenditures
\$ 0.00	\$ 0.00	\$ 17,023,516.00	\$ 0.00	\$ 17,012,732.53	\$ 10,783.47	\$ 10,783.47
<u>901,199.80</u>	<u>0.00</u>	<u>33,416,702.49</u>	<u>-3,281,185.51</u>	<u>32,371,398.14</u>	<u>4,326,489.86</u>	<u>1,045,304.35</u>
<u>\$ 901,199.80</u>	<u>\$ 0.00</u>	<u>\$ 50,440,218.49</u>	<u>\$ -3,281,185.51</u>	<u>\$ 49,384,130.67</u>	<u>\$ 4,337,273.33</u>	<u>\$ 1,056,087.82</u>

DARTON STATE COLLEGE
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	\$ 10,590.02	\$ 0.00	\$ -10,590.02	\$ 156.01
Other Funds	<u>901,419.71</u>	<u>-901,199.80</u>	<u>-219.91</u>	<u>233.59</u>
Total Teaching	912,009.73	-901,199.80	-10,809.93	389.60
Prior Year Reserves				
Not Available for Expenditure				
Inventories	2,189.43	0.00	0.00	0.00
Uncollectible Accounts Receivable	<u>598,511.16</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Budget Unit Totals	<u>\$ 1,512,710.32</u>	<u>\$ -901,199.80</u>	<u>\$ -10,809.93</u>	<u>\$ 389.60</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
\$ -10,783.47	\$ 0.00	\$ 10,783.47	\$ 156.01	\$ 0.00	\$ 156.01	\$ 156.01
<u>-76,930.96</u>	<u>0.00</u>	<u>1,045,304.35</u>	<u>968,606.98</u>	<u>968,373.39</u>	<u>233.59</u>	<u>968,606.98</u>
-87,714.43	0.00	1,056,087.82	968,762.99	968,373.39	389.60	968,762.99
10,783.47	0.00	0.00	12,972.90	12,972.90	0.00	12,972.90
<u>76,930.96</u>	<u>0.00</u>	<u>0.00</u>	<u>675,442.12</u>	<u>675,442.12</u>	<u>0.00</u>	<u>675,442.12</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,056,087.82</u>	<u>\$ 1,657,178.01</u>	<u>\$ 1,656,788.41</u>	<u>\$ 389.60</u>	<u>\$ 1,657,178.01</u>

Summary of Ending Fund Balance

Reserved

Department Sales and Services	\$ 50,397.97	\$ 50,397.97
Indirect Cost Recoveries	304,988.38	304,988.38
Technology Fees	296,953.30	296,953.30
Uncollectible Accounts Receivable	675,442.12	675,442.12
Tuition Carry-Over	316,033.74	316,033.74
Inventories	12,972.90	12,972.90

Unreserved

Surplus	\$ 389.60	\$ 389.60
---------	-----------	-----------

Total Ending Fund Balance - June 30	\$ 1,656,788.41	\$ 389.60	\$ 1,657,178.01
-------------------------------------	-----------------	-----------	-----------------

DARTON STATE COLLEGE
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")	\$	1,657,178.01
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.		74,005,228.41
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.		-675,442.12
Agency Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 1,011,102.08	
Liabilities	<u>-1,011,102.08</u>	
Total Net Effect of Agency Fund Activity		0.00
Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 1,742,576.22	
Liabilities	<u>-777,659.44</u>	
Total Net Effect of Auxiliary Enterprises Fund Activity		964,916.78
Student Activities Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 2,755,007.67	
Liabilities	<u>-309,411.30</u>	
Total Net Effect of Student Activity Fund Activity		2,445,596.37
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.	\$ 2,530,906.27	
Payables for goods and services provided in the current fiscal year reported in the Budget Fund as encumbrances payable are reported as accounts payable for GAAP reporting.	<u>-158,735.59</u>	
Total Net Effect of Encumbrance Activity		2,372,170.68
Certain deferred outflows of resources, liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported as assets or liabilities in the Budget Fund.		
Capital Leases Payable	\$ -43,070,647.65	
Compensated Absences Payable	-935,324.34	
Deferred Loss on Defined Benefit Pension Plans	2,375,572.44	
Net Pension Liability	-15,824,443.00	
Deferred Gain on Debt Refunding	-1,255,954.24	
Deferred Gain on Defined Benefit Pension Plans	<u>-5,516,736.00</u>	
Total Liabilities		-64,227,532.79
Rounding		<u>-4.34</u>
Net Position of Business-Type Activities (Exhibit "A")	\$	<u><u>16,542,111.00</u></u>

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.

DARTON STATE COLLEGE
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

	<u>SALARIES</u>	<u>TRAVEL</u>
Totals per Annual Supplement	\$ 20,075,871.39	\$ 212,489.84
Accruals		
June 30, 2015	76,899.50	
June 30, 2014	-76,083.61	
Compensated Absences		
June 30, 2015	868,857.00	
June 30, 2014	-986,565.85	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Abraham Baldwin Agricultural College		
Buehrer, Danielle	-3,000.00	
Albany State University		
Plant, Kelly Huisman	904.26	
Armstrong Atlantic State University		
McCarthy, Michael	6,075.00	
Board of Regents, University System of Georgia		
Suttle, Nick	18,740.43	
Georgia College and State University		
Doerr, William	880.00	
Jones, Paul	288,111.22	
Lewter, Andy	250.00	
McClure, Stephanie	5,260.00	
Rounding		0.16
Unidentified Variance	<u>-338.34</u>	<u> </u>
	<u>\$ 20,275,861.00</u>	<u>\$ 212,490.00</u>

(This page left intentionally blank)

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

DARTON STATE COLLEGE
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-570-14-01	Previously Reported Corrective Action Implemented
FA-570-14-02	Unresolved - See Corrective Action/Responses
FA-570-14-03	Partially Resolved - See Corrective Action/Responses
FA-570-14-04	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

FA-570-14-02 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

Darton State College (DSC) implemented new procedures and processes that began during the Fall 2014 semester. This automated award process will prevent the incorrect awarding of unsubsidized loans prior to meeting the subsidized loan limit and will also ensure the correct cost of attendance calculations. We are developing internal monitoring reports as a check on our processes as well.

DSC began using an automated satisfactory academic progress (SAP) policy and we have developed multiple internal monitoring reports that allow us to check for possible errors. We monitor this process and make adjustments as needed. This will prevent the incorrect application of the DSC SAP policy going forward.

We have implemented a new procedure regarding the awarding of honors student stipends that will prevent the awarding of additional funds going forward.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

FA-570-14-03 Verification Process

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

Darton State College (DSC) has performed process mapping of our verification processes and reorganized the duties of the Financial Aid staff responsible for these processes. This will allow for those members of our staff that are responsible for verification to have a singular focus on this process. DSC has also implemented an internal audit system in order to periodically check a sample of these verifications to further ensure accuracy.

In addition, the College is awaiting a response from the U. S. Department of Education in regards to the resolution of this finding.

FA-570-14-04 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
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Darton State College (DSC) has implemented a report that will compare our list of students scheduled for Return of Title IV (R2T4) to their entries in TSAAREV to confirm that the return has been completed. This will be run weekly to ensure that none are missed going forward.

DSC created a new purge process that will eliminate any future delays in the R2T4 process.

DSC began (starting retroactively for the Fall 2014 semester) incorporating bookstore charges into our institutional charges when calculating the amount needed for R2T4. This process began in the Spring 2015 semester.

In addition, the College is awaiting a response from the U. S. Department of Education in regards to the resolution of this finding.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

(This page left intentionally blank)

DARTON STATE COLLEGE
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

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001	Overpayment of Student Financial Assistance
Compliance Requirement:	Eligibility
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:

This is a repeat finding (FA-570-14-02) from the year ended June 30, 2014. The College'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.

DARTON STATE COLLEGE
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

A sample of 40 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. Two students in the sample were not in compliance with the College's published satisfactory academic progress 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 students did not meet the quantitative requirement of satisfactory academic progress, which resulted in SFA over disbursements totaling \$17,770.00.

Questioned Cost:

Questioned costs of \$17,770.00, with likely questioned costs of \$2,015,153.22, were identified for the students who received student financial assistance in excess of their eligible need.

Cause:

In discussing this condition with Darton State College officials, they stated that this deficiency occurred as a result of processing errors within the student information system.

Effect or Potential Effect:

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

Recommendation:

The College should review its processes and procedures for determining each student's financial aid eligibility. Where vulnerable, the College 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 College should develop and implement a monitoring process to ensure that controls are properly implemented. The College should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials and Corrective Action Plans:

Statement of Concurrence or Non-concurrence:

We concur with this finding. Darton State College (DSC) is currently performing additional testing of any financial aid student that was falling below the minimum Satisfactory Academic Progress (SAP) standards in 2014-2015. Based on preliminary testing results, DSC is hopeful that the actual questioned costs will be substantially lower than the auditor's projected questioned cost amount.

DARTON STATE COLLEGE
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Correction Action Plan:

With respect to the issues identified relating to the misaward of federal student aid to students in a suspended status, the following actions have been put into place:

1. A manual review and calculation of the SAP status for every financial aid student before aid is awarded/packaged to ensure that the status in Banner is correct in accordance to the current SAP policy. If the status in Banner is correct and the student is eligible for aid, the student will be packaged. If it is determined that the status in Banner is incorrect, the status in Banner will be updated appropriately so as not to perpetuate Banner using an incorrect status to determine eligibility when an automated process is run, and so as not inadvertently pay an ineligible student.
2. DSC will update our auto packing requirements table to ensure that any student who is in a suspended status will not be packaged until that status has been rectified by the receipt and approval of a SAP appeal, or until the student has attempted classes at his/her own expense until back into good SAP standing. Students who were packaged aid for an award year and fell into suspended status mid-award year will monitored to ensure that no aid pays to the student until he/she is back in good academic standing.

In relation to the student identified in the sample as having been allocated an incorrect amount of subsidized versus unsubsidized funding, DSC has created a report that will allow us to identify students that have transfer credits accepted toward their degree of study after he/she was awarded their original aid package. We will run this report regularly to identify any student who needs a recalculation of loan limits as a result of transfer credits. We will also ensure that Banner is appropriately set up to properly identify the loan limits for each student and accurately package the student in accordance with his/her proper loan limit and amount.

Contact Person: Sybil Smith, Regional Director of Financial Aid
Telephone: (229) 317-6951
Fax: (229) 317-6607
Email: sybil.smith@darton.edu

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Accounting Controls Overall

Observation:

Our review of the established internal control structure associated with significant financial applications at the College revealed design deficiencies in logical access, change management and IT operations controls intended to protect information from unauthorized access, manipulation, corruption, inaccurate processing and loss. The details related to these deficiencies have been provided to management of the College 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.

DARTON STATE COLLEGE
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2015

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Untimely Enrollment Reporting

Observation:

Our testing of 40 students who withdrew during the Fall 2014 and Spring 2015 semesters revealed that 25 students' withdrawn enrollment statuses were not reported to the National Student Loan Data System (NSLDS) in the required 30 days from the last day of the term for unofficial withdrawals and 45 days from withdrawal date for official withdrawals. Additionally, 12 students' withdrawn enrollment statuses were never reported to NSLDS.

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