FORT VALLEY STATE UNIVERSITY
FORT VALLEY, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2019

A Member Institution of the University System of Georgia
FORT VALLEY STATE UNIVERSITY

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FINANCIAL
Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the State Board of Regents of the University System of Georgia  
and  
Dr. Paul Jones, President  
Fort Valley State University

Ladies and Gentlemen:

This Management Report contains information pertinent to the Fort Valley State University’s compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2019. Additionally, we audited Fort Valley State University’s Federal Student Aid programs for the year ended June 30, 2019 to meet the requirements of COC Standard 13.6. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Fort Valley State University to support our audit of the basic financial statements of the State of Georgia presented in the State of Georgia Comprehensive Annual Financial Report and the issuance of a State of Georgia Single Audit Report pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2019.

This report is intended solely for the information and use of the management of Fort Valley State University, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools - Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Greg S. Griffin  
State Auditor
SELECTED FINANCIAL INFORMATION
### ASSETS

**Current Assets**
- Cash and Cash Equivalents: $6,615,869
- Cash and Cash Equivalents (Externally Restricted): $2,058,646
- Accounts Receivable, Net: $3,883,520
  - Federal Financial Assistance: $760,860
  - Affiliated Organizations: $2,231,846
- Prepaid Items: $153,508

**Total Current Assets**: $15,704,249

**Noncurrent Assets**
- Accounts Receivable, Net: $650,273
- Investments: $76,119
- Notes Receivable, Net: $909,981
- Capital Assets, Net: $140,381,059

**Total Noncurrent Assets**: $142,017,432

**Total Assets**: $157,721,681

**Deferred Outflows of Resources**: $14,458,930

### LIABILITIES

**Current Liabilities**
- Accounts Payable: $2,435,084
- Salaries Payable: $167,269
- Benefits Payable: $73,260
- Contracts Payable: $352,724
- Retainage Payable: $171,114
- Due to USO - Capital Liability Reserve Fund: $321,895
- Advances (Including Tuition and Fees): $312,959
- Deposits: $399
- Deposits Held for Other Organizations: $198,547
- Other Liabilities: $299,789
- Lease Purchase Obligations: $2,212,175
- Compensated Absences: $1,503,042

**Total Current Liabilities**: $9,151,260

**Noncurrent Liabilities**
- Lease Purchase Obligations: $72,582,310
- Compensated Absences: $755,214
- Net Other Post Employment Benefits Liability: $45,079,332
- Net Pension Liability: $30,919,888

**Total Noncurrent Liabilities**: $149,336,744

**Total Liabilities**: $158,488,004

**Deferred Inflows of Resources**: $12,264,060

### NET POSITION

**Net Investment in Capital Assets**: $61,976,126

**Restricted for:**
- Expendable: $2,845,753
- Unrestricted (Deficit): $(63,393,332)

**Total Net Position**: $1,428,547
## Operating Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees (Net)</td>
<td>$8,847,578</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>6,990,823</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>510,450</td>
</tr>
<tr>
<td>State</td>
<td>67,292</td>
</tr>
<tr>
<td>Other</td>
<td>30,541</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>439,541</td>
</tr>
<tr>
<td>Rents and Royalties</td>
<td>168,406</td>
</tr>
<tr>
<td>Auxiliary Enterprises (Net)</td>
<td></td>
</tr>
<tr>
<td>Residence Halls</td>
<td>7,548,099</td>
</tr>
<tr>
<td>Bookstore</td>
<td>30,747</td>
</tr>
<tr>
<td>Food Services</td>
<td>4,863,917</td>
</tr>
<tr>
<td>Parking/Transportation</td>
<td>183,256</td>
</tr>
<tr>
<td>Health Services</td>
<td>373,181</td>
</tr>
<tr>
<td>Intercollegiate Athletics</td>
<td>1,438,544</td>
</tr>
<tr>
<td>Other Organizations</td>
<td>1,101,357</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>1,353,823</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>33,947,355</strong></td>
</tr>
</tbody>
</table>

## Operating Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Salaries</td>
<td>9,818,395</td>
</tr>
<tr>
<td>Staff Salaries</td>
<td>20,257,111</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>12,394,917</td>
</tr>
<tr>
<td>Other Personal Services</td>
<td>539,152</td>
</tr>
<tr>
<td>Travel</td>
<td>1,157,989</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>5,387,793</td>
</tr>
<tr>
<td>Utilities</td>
<td>4,329,763</td>
</tr>
<tr>
<td>Supplies and Other Services</td>
<td>22,694,196</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,724,537</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>83,303,853</strong></td>
</tr>
<tr>
<td>Operating Loss</td>
<td><strong>(49,356,498)</strong></td>
</tr>
</tbody>
</table>

## Nonoperating Revenues (Expenses)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>23,253,144</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>26,303,749</td>
</tr>
<tr>
<td>State</td>
<td>3,755</td>
</tr>
<tr>
<td>Other</td>
<td>1,512,401</td>
</tr>
<tr>
<td>Gifts</td>
<td>358,765</td>
</tr>
<tr>
<td>Investment Income (Endowments, Auxiliary and Other)</td>
<td>4,189</td>
</tr>
<tr>
<td>Interest Expense (Capital Assets)</td>
<td>(3,227,808)</td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>(561,835)</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td><strong>47,646,360</strong></td>
</tr>
<tr>
<td><strong>Loss Before Other Revenues, Expenses, Gains, or Losses</strong></td>
<td><strong>(1,710,138)</strong></td>
</tr>
</tbody>
</table>

## Capital Grants and Gifts

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>2,132,462</td>
</tr>
<tr>
<td>State</td>
<td>803,409</td>
</tr>
<tr>
<td><strong>Total Other Revenues, Expenses, Gains or Losses</strong></td>
<td><strong>2,935,871</strong></td>
</tr>
</tbody>
</table>

## Change in Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Position</strong></td>
<td><strong>1,225,733</strong></td>
</tr>
</tbody>
</table>

## Net Position - Beginning of Year

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position - Beginning of Year</strong></td>
<td><strong>202,814</strong></td>
</tr>
</tbody>
</table>

## Net Position - End of Year

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position - End of Year</strong></td>
<td><strong>1,428,547</strong></td>
</tr>
</tbody>
</table>
### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments from Customers</td>
<td>$25,585,032</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>6,990,623</td>
</tr>
<tr>
<td>Grants and Contracts (Exchange)</td>
<td>115,471</td>
</tr>
<tr>
<td>Payments to Suppliers</td>
<td>(40,523,829)</td>
</tr>
<tr>
<td>Payments to Employees</td>
<td>(31,092,714)</td>
</tr>
<tr>
<td>Payments for Scholarships and Fellowships</td>
<td>(5,387,793)</td>
</tr>
<tr>
<td>Collection of Loans to Students</td>
<td>31,302</td>
</tr>
<tr>
<td>Other Payments</td>
<td>(90)</td>
</tr>
</tbody>
</table>

**Net Cash Used by Operating Activities**

(44,281,998)

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>23,253,144</td>
</tr>
<tr>
<td>Agency Funds - Receipts</td>
<td>119,457,273</td>
</tr>
<tr>
<td>Agency Funds - Disbursements</td>
<td>(119,337,191)</td>
</tr>
<tr>
<td>Gifts and Grants Received for Other than Capital Purposes</td>
<td>27,754,443</td>
</tr>
</tbody>
</table>

**Net Cash Flows Provided by Non-Capital Financing Activities**

51,127,669

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Grants and Gifts Received</td>
<td>3,446,149</td>
</tr>
<tr>
<td>Purchases of Capital Assets</td>
<td>(5,164,696)</td>
</tr>
<tr>
<td>Principal Paid on Capital Debt and Leases</td>
<td>(1,547,013)</td>
</tr>
<tr>
<td>Interest Paid on Capital Debt and Leases</td>
<td>(3,325,661)</td>
</tr>
</tbody>
</table>

**Net Cash Used by Capital and Related Financing Activities**

(6,591,221)

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Income</td>
<td>1,956</td>
</tr>
</tbody>
</table>

**Net Increase in Cash and Cash Equivalents**

256,406

**Cash and Cash Equivalents - Beginning of Year**

8,418,109

**Cash and Cash Equivalents - End of Year**

$8,674,515
### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Loss</td>
<td>$(49,356,498)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,724,537</td>
</tr>
<tr>
<td>Change in Assets and Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Receivables, Net</td>
<td>$(1,061,660)</td>
</tr>
<tr>
<td>Prepaid Items</td>
<td>$(23,917)</td>
</tr>
<tr>
<td>Notes Receivable, Net</td>
<td>82,424</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$(415,313)</td>
</tr>
<tr>
<td>Salaries Payable</td>
<td>$(13,842)</td>
</tr>
<tr>
<td>Benefits Payable</td>
<td>$(51)</td>
</tr>
<tr>
<td>Deposits</td>
<td>398</td>
</tr>
<tr>
<td>Advances (Including Tuition and Fees)</td>
<td>$(280,786)</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>299,789</td>
</tr>
<tr>
<td>Funds Held for Others</td>
<td>$(90)</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>141,373</td>
</tr>
<tr>
<td>Claims and Judgements</td>
<td>$(251,527)</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>1,748,574</td>
</tr>
<tr>
<td>Other Post-Employment Benefit Liability</td>
<td>3,283,454</td>
</tr>
<tr>
<td>Change in Deferred Inflows/Outflows of Resources:</td>
<td></td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>1,248,228</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$(6,407,091)</td>
</tr>
</tbody>
</table>

Net Cash Used by Operating Activities: $ (44,281,998)

### NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Accruals Related to Non-operating Non-capital Grants and Gifts</td>
<td>$ 439,097</td>
</tr>
<tr>
<td>Current Year Accruals Related to Capital Financing Activities</td>
<td>$ 107,110</td>
</tr>
<tr>
<td>Loss on Disposal of Capital Assets</td>
<td>$ (561,831)</td>
</tr>
<tr>
<td>Accrual of Capital Asset Related Payables</td>
<td>$ 524,836</td>
</tr>
<tr>
<td>Increase in Capital Debt due to Capitalized Interest</td>
<td>$ 81,093</td>
</tr>
<tr>
<td>Amortization of Deferred Gain/Loss of Capital Debt Refunded</td>
<td>$ 153,840</td>
</tr>
<tr>
<td>Accrual of Capital Financing Interest Payable</td>
<td>$ 224,249</td>
</tr>
<tr>
<td>Unrealized Gain on Investments</td>
<td>$ 2,233</td>
</tr>
</tbody>
</table>
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State’s Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State’s CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

BASIS OF PREPARATION

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

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

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

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

NET POSITION

The Institution’s net position is classified as follows:

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

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

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institution’s policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.
NOTE 2: DEPOSITS AND INVESTMENTS

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

Statement of Net Position
Current
Cash and Cash Equivalents $ 6,615,869
Cash and Cash Equivalents (Externally Restricted) 2,058,646
Noncurrent
Investments 76,119

$ 8,750,634

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

Cash on Hand $ 1,866
Deposits with Financial Institutions 8,672,649
Investments 76,119

$ 8,750,634

DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution’s deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

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

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

The Institution participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2019, the bank balances of the Institution’s deposits totaled $12,189,901. Of these deposits, $0 were exposed to custodial credit risk.

**INVESTMENTS**

The Institution maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

*Board of Regents Pooled Investment Program*

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund’s investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster the sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the pooled investment fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.
The Institution’s position in the pooled investment fund options are described below.

1. **Diversified Fund**
   The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

   The equity allocation shall range between 60% and 80% of the portfolio, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Institution’s position in the Diversified Fund at June 30, 2019 was $76,119, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.12 years.

**Interest Rate Risk**
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Institution does not have a formal policy for managing interest rate risk for investments since its investment are part of the Board of Regents investment pool.

**Custodial Credit Risk**
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Institution will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institution does not have a formal policy for managing custodial credit risk for investments since its investments are part of the Board of Regents investment pool.

**Credit Quality Risk**
Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Institution’s policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds, colleges, universities, and foundations:

In the Diversified Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

**Concentration of Credit Risk**
Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Institution does not have a formal policy for managing credit quality risk for investments since its investments are part of the Board of Regents investment pool.
NOTE 3: ACCOUNTS RECEIVABLE

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

Student Tuition and Fees $ 969,433
Auxiliary Enterprises and Other Operating Activities 1,223,529
Federal Financial Assistance 3,883,520
Georgia State Financing and Investment Commission 167,310
Due from Affiliated Organizations 760,860
Due from USG Institutions 751,612
Other 1,341,724

9,097,988

Less Allowance for Doubtful Accounts 1,571,489

Net Accounts Receivable $ 7,526,499

NOTE 4: CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2018</td>
<td></td>
<td></td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Capital Assets, Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 3,822,848</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 3,822,848</td>
</tr>
<tr>
<td>Construction Work-In-Progress</td>
<td>5,321,311</td>
<td>3,196,998</td>
<td>5,830,257</td>
<td>2,688,052</td>
</tr>
<tr>
<td>Total Capital Assets, Not Being Depreciated</td>
<td>9,144,159</td>
<td>3,196,998</td>
<td>5,830,257</td>
<td>6,510,900</td>
</tr>
<tr>
<td>Capital Assets, Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and Building Improvements</td>
<td>193,032,584</td>
<td>5,830,257</td>
<td>4,216,491</td>
<td>194,646,350</td>
</tr>
<tr>
<td>Facilities and Other Improvements</td>
<td>2,728,820</td>
<td>-</td>
<td>-</td>
<td>2,728,820</td>
</tr>
<tr>
<td>Equipment</td>
<td>17,208,344</td>
<td>2,213,060</td>
<td>605,789</td>
<td>18,815,615</td>
</tr>
<tr>
<td>Library Collections</td>
<td>5,884,626</td>
<td>85,496</td>
<td>13,946</td>
<td>5,956,176</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated/Amortized</td>
<td>218,854,374</td>
<td>8,128,813</td>
<td>4,836,226</td>
<td>222,146,961</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and Building Improvements</td>
<td>66,150,774</td>
<td>4,850,699</td>
<td>3,770,466</td>
<td>67,231,007</td>
</tr>
<tr>
<td>Facilities and Other Improvements</td>
<td>1,688,162</td>
<td>49,254</td>
<td>-</td>
<td>1,737,416</td>
</tr>
<tr>
<td>Equipment</td>
<td>12,807,886</td>
<td>1,739,314</td>
<td>489,980</td>
<td>14,057,220</td>
</tr>
<tr>
<td>Library Collections</td>
<td>5,179,838</td>
<td>85,270</td>
<td>13,949</td>
<td>5,251,159</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>85,826,660</td>
<td>6,724,537</td>
<td>4,274,395</td>
<td>88,276,802</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated, Net</td>
<td>133,027,714</td>
<td>1,404,276</td>
<td>561,831</td>
<td>133,870,159</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$ 142,171,873</td>
<td>$ 4,601,274</td>
<td>$ 6,392,088</td>
<td>$ 140,381,059</td>
</tr>
</tbody>
</table>
A comparison of depreciation expense for the last three fiscal years is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 6,724,537</td>
</tr>
<tr>
<td>2018</td>
<td>$ 6,357,597</td>
</tr>
<tr>
<td>2017</td>
<td>$ 6,443,922</td>
</tr>
</tbody>
</table>

**NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)**

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

<table>
<thead>
<tr>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Tuition and Fees $ 793,816</td>
</tr>
<tr>
<td>Other - Advances $ 622,146</td>
</tr>
<tr>
<td><strong>Total</strong> $ 1,415,962</td>
</tr>
</tbody>
</table>

**NOTE 6: LONG-TERM LIABILITIES**

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

<table>
<thead>
<tr>
<th>Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2018</td>
<td></td>
<td></td>
<td>June 30, 2019</td>
<td></td>
</tr>
<tr>
<td>Leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease Obligations $ 76,280,405</td>
<td>$ 61,093</td>
<td>$ 1,547,013</td>
<td>$ 74,794,485</td>
<td>$ 2,212,175</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences 2,116,883</td>
<td>1,458,035</td>
<td>1,316,662</td>
<td>2,258,256</td>
<td>1,503,042</td>
</tr>
<tr>
<td>Claims and Judgments 251,527</td>
<td></td>
<td>251,527</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong> 2,368,410</td>
<td>1,458,035</td>
<td>1,568,189</td>
<td>2,258,256</td>
<td>1,503,042</td>
</tr>
<tr>
<td>Total Long-Term Obligations $ 78,648,815</td>
<td>1,519,128</td>
<td>3,115,202</td>
<td>$ 77,052,741</td>
<td>$ 3,715,217</td>
</tr>
</tbody>
</table>

See Note 11, Retirement Plans, for information related to net pension liability. See Note 14, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post employment benefits liability.
NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2019, consisted of the following:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Deferred Outflow of Resources</td>
<td></td>
</tr>
<tr>
<td>Deferred Outflow on Debt Refunding</td>
<td>$ 364,565</td>
</tr>
<tr>
<td>Deferred Outflow on Defined Benefit Pension Plans (See Note 11)</td>
<td>5,071,753</td>
</tr>
<tr>
<td>Deferred Outflows on OPEB Plan (See Note 14)</td>
<td>2,634,709</td>
</tr>
<tr>
<td>Total Deferred Outflows of Resources</td>
<td>$ 8,071,027</td>
</tr>
<tr>
<td>Deferred Inflow of Resources</td>
<td></td>
</tr>
<tr>
<td>Deferred Inflow on Debt Refunding</td>
<td>$ 3,605,015</td>
</tr>
<tr>
<td>Deferred Inflow on Defined Benefit Pension Plans (See Note 11)</td>
<td>3,556,677</td>
</tr>
<tr>
<td>Deferred Inflow on OPEB Plan (See Note 14)</td>
<td>4,027,168</td>
</tr>
<tr>
<td>Total Deferred Inflows of Resources</td>
<td>$ 11,188,860</td>
</tr>
</tbody>
</table>

NOTE 8: NET POSITION

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

Net Investment in Capital Assets | $ 61,976,126 |

Restricted for

<table>
<thead>
<tr>
<th>Expendable</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored and Other Organized Activities</td>
<td>296,096</td>
</tr>
<tr>
<td>Federal Loans</td>
<td>948,917</td>
</tr>
<tr>
<td>Quasi-Endowments</td>
<td>1,600,740</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>2,845,753</td>
</tr>
</tbody>
</table>

Unrestricted

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Auxiliary Operations</td>
<td>(6,400,134)</td>
</tr>
<tr>
<td>Auxiliary Enterprises Renewals and Replacement Reserve</td>
<td>6,016,669</td>
</tr>
<tr>
<td>Reserve for Encumbrances</td>
<td>5,431,202</td>
</tr>
<tr>
<td>Capital Liability Reserve Fund</td>
<td>328,378</td>
</tr>
<tr>
<td>Other Unrestricted</td>
<td>(68,769,447)</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>(63,393,332)</td>
</tr>
</tbody>
</table>

Total Net Position | $ 1,428,547 |
Changes in Net Position for the year ended June 30, 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance July 1, 2018</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in Capital Assets</td>
<td>$ 62,458,039</td>
<td>$ 7,042,567</td>
<td>$ 7,524,480</td>
<td>$ 61,976,126</td>
</tr>
<tr>
<td>Restricted Net Position</td>
<td>2,911,384</td>
<td>31,364,059</td>
<td>31,429,690</td>
<td>2,845,753</td>
</tr>
<tr>
<td>Unrestricted Net Position</td>
<td>(65,166,609)</td>
<td>56,955,170</td>
<td>55,181,893</td>
<td>(63,393,332)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$ 202,814</td>
<td>$ 95,361,796</td>
<td>$ 94,136,063</td>
<td>$ 1,428,547</td>
</tr>
</tbody>
</table>

**NOTE 9: ENDOWMENTS**

The Institution did not have donor restricted endowments at June 30, 2019. Donor restricted endowments are reported in the financial statements for Fort Valley State University Foundation.

**NOTE 10: LEASES**

The Institution is obligated under various capital and operating lease agreements for the use of real property and equipment.

**CAPITAL LEASES**

The Institution acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. §50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution’s principal and interest payments related to capital leases for fiscal year 2019 were $1,547,013 and $3,325,661, respectively. Interest rates range from 3.72% to 5.82%.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Gross Amount</th>
<th>Accumulated Depreciation</th>
<th>Net Assets Held Under Capital Lease at June 30, 2019</th>
<th>Outstanding Balances per Lease Schedules at June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$ 560,842</td>
<td>$ 560,842</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>82,654,662</td>
<td>27,261,894</td>
<td>55,392,768</td>
<td>74,794,485</td>
</tr>
<tr>
<td>Total Assets Held Under Capital Lease</td>
<td>$ 83,215,504</td>
<td>$ 27,822,736</td>
<td>$ 55,392,768</td>
<td>$ 74,794,485</td>
</tr>
</tbody>
</table>
The following schedule lists the pertinent information for each of the Institution’s capital leases:

<table>
<thead>
<tr>
<th>Description</th>
<th>Lessor</th>
<th>Original Principal</th>
<th>Lease Term</th>
<th>Begin Month/Year</th>
<th>End Month/Year</th>
<th>Outstanding Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wildcat Housing Phase 1</td>
<td>USG Real Estate Fdn IV, LLC</td>
<td>$38,622,249</td>
<td>21 Years</td>
<td>Oct 2016</td>
<td>June 2037</td>
<td>$37,363,126</td>
</tr>
<tr>
<td>Wildcat Housing Phase 2</td>
<td>FVSU Fdn LLC</td>
<td>19,603,070</td>
<td>30 Years</td>
<td>Apr 2009</td>
<td>Mar 2038</td>
<td>18,320,774</td>
</tr>
<tr>
<td>Student Center/Stadium</td>
<td>USG Real Estate Fdn I, LLC</td>
<td>19,451,021</td>
<td>30 Years</td>
<td>July 2010</td>
<td>June 2040</td>
<td>19,110,585</td>
</tr>
<tr>
<td>Total Leases</td>
<td></td>
<td>$77,676,340</td>
<td></td>
<td></td>
<td></td>
<td>$74,794,485</td>
</tr>
</tbody>
</table>

(1) These capital leases are related party transactions.

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

**OPERATING LEASES**

The Institution leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriations from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution’s operating lease expense for fiscal year 2019 was $246,944, which includes payments to related parties of $2,814. The Institution is obligated to pay these related parties a total of $2,814 in the next fiscal year.

**FUTURE COMMITMENTS**

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30:</th>
<th>Capital Leases</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$5,620,659</td>
<td>$9,160</td>
</tr>
<tr>
<td>2021</td>
<td>5,872,110</td>
<td>9,480</td>
</tr>
<tr>
<td>2022</td>
<td>6,049,613</td>
<td>9,812</td>
</tr>
<tr>
<td>2023</td>
<td>6,155,675</td>
<td>10,155</td>
</tr>
<tr>
<td>2024</td>
<td>5,993,977</td>
<td>10,511</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>31,831,011</td>
<td>58,336</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>32,889,400</td>
<td>69,285</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>25,030,596</td>
<td>-</td>
</tr>
<tr>
<td>2040 - 2044</td>
<td>974,759</td>
<td>-</td>
</tr>
<tr>
<td>Total Minimum Lease Payments</td>
<td>$120,417,800</td>
<td>$176,739</td>
</tr>
<tr>
<td>Less: Interest</td>
<td>37,182,297</td>
<td></td>
</tr>
<tr>
<td>Less: Executory Costs</td>
<td>8,441,018</td>
<td></td>
</tr>
<tr>
<td>Principal Outstanding</td>
<td>$74,794,485</td>
<td></td>
</tr>
</tbody>
</table>
NOTE 11: RETIREMENT PLANS

The significant retirement plan that the Institution 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.

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

General Information about the Teachers Retirement System

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

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

Contributions
Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2019. The Institution’s contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual Institution payroll. The Institution’s contributions to TRS totaled $4,255,295 for the year ended June 30, 2019.

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

At June 30, 2019, the Institution reported a liability for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The Institution’s proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2018. At June 30, 2018, the Institution’s TRS proportion was 0.166575%, which was an increase of 0.009616% from its proportion measured as of June 30, 2017.
For the year ended June 30, 2019, the Institution recognized pension expense of $2,225,076 for TRS. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Differences between expected and actual experience | $2,046,940 | $63,727 |
| Changes of assumptions | 466,570 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 845,410 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,366,811 | 1,932,609 |
| Contributions subsequent to the measurement date | 4,255,295 | - |
| **Total** | **$8,135,616** | **$2,841,746** |

The Institution’s contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30:</th>
<th>TRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$892,209</td>
</tr>
<tr>
<td>2021</td>
<td>$522,161</td>
</tr>
<tr>
<td>2022</td>
<td>$(740,804)</td>
</tr>
<tr>
<td>2023</td>
<td>$302,452</td>
</tr>
<tr>
<td>2024</td>
<td>$62,557</td>
</tr>
</tbody>
</table>

**Actuarial assumptions**

The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

- Inflation: 2.75%
- Salary increases: 3.25 – 9.00%, average, including inflation
- Investment rate of return: 7.50%, net of pension plan investment expense, including inflation
Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries’ projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries’ projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 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:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>TRS Target allocation</th>
<th>Long-term expected real rate of return*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>30.00%</td>
<td>(0.50)%</td>
</tr>
<tr>
<td>Domestic large equities</td>
<td>39.80%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Domestic mid equities</td>
<td>3.70%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Domestic small equities</td>
<td>1.50%</td>
<td>13.50%</td>
</tr>
<tr>
<td>International developed market equities</td>
<td>19.40%</td>
<td>8.00%</td>
</tr>
<tr>
<td>International emerging market equities</td>
<td>5.60%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>-</td>
<td>10.50%</td>
</tr>
</tbody>
</table>

Total 100.00%

* Rates shown are net of inflation

**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 TRS 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:**

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (6.50%)</th>
<th>Current discount rate (7.50%)</th>
<th>1% Increase (8.50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportionate share of the net pension liability</td>
<td>$ 51,614,147</td>
<td>$ 30,919,888</td>
<td>$ 13,866,766</td>
</tr>
</tbody>
</table>

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 publicly available at www.trsga.com/publications.

B. Defined Contribution Plan

**Regents Retirement Plan**

**Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

**Funding Policy**

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2019, the employer contribution was 9.24% for the participating employee’s earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $531,238 (9.24%) and $334,960 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.
NOTE 12: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG’s Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The Institution’s participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

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

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

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

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

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.
NOTE 13: CONTINGENCIES

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

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

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG’s Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

The Institution's membership in the Plan consisted of the following at June 30, 2019:

<table>
<thead>
<tr>
<th>Membership Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td>571</td>
</tr>
<tr>
<td>Retirees or Beneficiaries Receiving Benefits</td>
<td>213</td>
</tr>
<tr>
<td>Retirees Receiving Life Insurance Only</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>848</td>
</tr>
</tbody>
</table>

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a “pay-as-you-go” basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.
The Institution pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2019 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2019, the Institution contributed $1,639,020 to the plan for current premiums or claims.

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

At June 30, 2019, the Institution reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2018. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Institution’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the Institution’s proportion was 1.022033%, which was an increase of 0.031545% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized OPEB expense of $3,542,405. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual experience</td>
<td>$3,143,478</td>
<td>$</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>$</td>
<td>5,060,605</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on OPEB plan investments</td>
<td>9,619</td>
<td></td>
</tr>
<tr>
<td>Changes in proportion and differences between contributions and proportionate share of contributions</td>
<td>1,185,820</td>
<td>929,722</td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>$1,639,020</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$5,977,937</td>
<td>$5,990,327</td>
</tr>
</tbody>
</table>
The Institution’s contributions subsequent to the measurement date of $1,639,020 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ (482,064)</td>
</tr>
<tr>
<td>2021</td>
<td>$ (482,064)</td>
</tr>
<tr>
<td>2022</td>
<td>$ (482,064)</td>
</tr>
<tr>
<td>2023</td>
<td>$ (451,374)</td>
</tr>
<tr>
<td>2024</td>
<td>$ 135,998</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$ 110,158</td>
</tr>
</tbody>
</table>
**Actuarial assumptions**
The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of May 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

<table>
<thead>
<tr>
<th>Cost Method</th>
<th>Entry Age Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization Method</td>
<td>Closed amortization period for initial unfunded and subsequent actuarial gains/losses.</td>
</tr>
<tr>
<td>Asset Method</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Interest Discounting and Salary Growth</td>
<td>Interest Rate as of 6/30/2016 3.87% from Bond Buyer Index Interest Rate as of 6/30/2017 3.58% from Bond Buyer Index Long-Term Rate of Return 4.5% General Inflation 2.50% Salary Growth 4.00%</td>
</tr>
<tr>
<td>Mortality Rates</td>
<td>Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected 2025 with projection scale BB (set forward two years for males and four years for females)</td>
</tr>
<tr>
<td>Initial Healthcare Cost Trend</td>
<td>Pre-Medicare Eligible 7.1% Medicare Eligible 4.5%</td>
</tr>
<tr>
<td>Ultimate Trend Rate</td>
<td>Pre-Medicare Eligible 4.5% Medicare Eligible 4.5%</td>
</tr>
<tr>
<td>Year Ultimate Trend is Reached</td>
<td>2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible</td>
</tr>
<tr>
<td>Experience Study</td>
<td>Based on experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.</td>
</tr>
</tbody>
</table>

**Changes in Assumptions Since Prior Valuation**
Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Expected Return</th>
<th>Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>1.10%</td>
<td>70%</td>
</tr>
<tr>
<td>Equity Allocation</td>
<td>3.98%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Discount rate**

The Plan’s projected fiduciary net position at the end of 2022 is $0, based on the valuation completed for the fiscal year ending June 30, 2018. As such, the Plan’s fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected “depletion date” when projected benefits are not covered by projected assets is 2022. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.87% from the Bond Buyer.

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

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

<table>
<thead>
<tr>
<th>Proportionate Share of the Net OPEB Liability</th>
<th>1% Decrease 2.87%</th>
<th>Current Rate 3.87%</th>
<th>1% Increase 4.87%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 53,782,445</td>
<td>$ 45,079,332</td>
<td>$ 38,272,686</td>
<td></td>
</tr>
</tbody>
</table>

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

The following presents the Institution’s proportionate share of the net OPEB liability, as well as what the Institution’s proportionate shares of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

<table>
<thead>
<tr>
<th>Proportionate Share of the Net OPEB Liability</th>
<th>1% Decrease 6.1% decreasing to 3.5%</th>
<th>Current Rate 7.1% decreasing to 4.5%</th>
<th>1% Increase 8.1% decreasing to 5.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 38,013,342</td>
<td>$ 45,079,332</td>
<td>$ 54,376,229</td>
<td></td>
</tr>
</tbody>
</table>

**OPEB plan fiduciary net position:**

Detailed information about the Plan’s fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at www.usg.edu/fiscal_affairs/financial_reporting.
SUPPLEMENTARY INFORMATION
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$2,786,346.75</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
</tr>
<tr>
<td>Federal Financial Assistance</td>
<td>$4,938,001.08</td>
</tr>
<tr>
<td>Other</td>
<td>$3,782,119.84</td>
</tr>
<tr>
<td>Prepaid Expenditures</td>
<td>$148,406.80</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$101,339.50</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$11,756,213.97</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND FUND EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>$160,371.46</td>
</tr>
<tr>
<td>Encumbrances Payable</td>
<td>$4,596,060.45</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$195,887.33</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>$1,152,281.40</td>
</tr>
<tr>
<td>Funds Held for Others</td>
<td>(90.39)</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>$224,656.39</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$6,328,966.64</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balances</td>
<td></td>
</tr>
<tr>
<td>Reserved</td>
<td></td>
</tr>
<tr>
<td>Department Sales and Services</td>
<td>$437,612.04</td>
</tr>
<tr>
<td>Indirect Cost Recoveries</td>
<td>$2,908,443.10</td>
</tr>
<tr>
<td>Technology Fees</td>
<td>$1,040,792.90</td>
</tr>
<tr>
<td>Restricted/Sponsored Funds</td>
<td>0.01</td>
</tr>
<tr>
<td>Uncollectible Accounts Receivable</td>
<td>$726,070.87</td>
</tr>
<tr>
<td>Tuition Carry-Over</td>
<td>$306,570.49</td>
</tr>
<tr>
<td>Unreserved</td>
<td></td>
</tr>
<tr>
<td>Surplus</td>
<td>$7,757.92</td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td><strong>$5,427,247.33</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Fund Balances</strong></td>
<td><strong>$11,756,213.97</strong></td>
</tr>
</tbody>
</table>
### Teaching

<table>
<thead>
<tr>
<th></th>
<th>Original Appropriation</th>
<th>Amended Appropriation</th>
<th>Final Budget</th>
<th>Current Year Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Appropriation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State General Funds</td>
<td>$23,080,885.00</td>
<td>$23,095,136.00</td>
<td>$23,305,734.00</td>
<td>$23,305,734.00</td>
</tr>
<tr>
<td>Other Funds</td>
<td>38,894,593.00</td>
<td>38,894,593.00</td>
<td>69,154,972.00</td>
<td>56,811,115.14</td>
</tr>
<tr>
<td><strong>Total Operating Activity</strong></td>
<td>$61,975,478.00</td>
<td>$61,989,729.00</td>
<td>$92,460,706.00</td>
<td>$80,116,849.14</td>
</tr>
</tbody>
</table>

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.
### SCHEDULE "2"

#### Excess of Funds

<table>
<thead>
<tr>
<th>Program Transfers</th>
<th>Funds Available</th>
<th>Total Funds Available</th>
<th>Variance Negative</th>
<th>Variance Actual</th>
<th>Variance Positive</th>
<th>Excess of Funds Available Over Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior Year Carry-Over</td>
<td>Adjustments and Program Transfers</td>
<td>$23,305,734.00</td>
<td>$23,303,959.12</td>
<td>$1,774.88</td>
<td>$1,774.88</td>
</tr>
<tr>
<td></td>
<td>$4,204,524.15</td>
<td>$84,321,373.29</td>
<td>(8,139,332.71)</td>
<td>56,102,776.14</td>
<td>13,052,195.86</td>
<td>4,912,863.15</td>
</tr>
<tr>
<td></td>
<td>$4,204,524.15</td>
<td>$84,321,373.29</td>
<td>(8,139,332.71)</td>
<td>79,406,735.26</td>
<td>13,053,970.74</td>
<td>4,914,638.03</td>
</tr>
</tbody>
</table>

- 29 -
### FORT VALLEY STATE UNIVERSITY

STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE

(STATUTORY BASIS) BUDGET FUND

YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Fund Balance Carried Over from</th>
<th>Return of Fiscal Year 2018</th>
<th>Prior Period Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance July 1</td>
<td>Return of Prior Period Surplus</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Service/Special Funding Initiative</th>
<th>State Appropriation</th>
<th>State General Funds</th>
<th>$4,000.00</th>
<th>$-</th>
<th>$(4,000.00)</th>
<th>$-</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Teaching</th>
<th>State Appropriation</th>
<th>State General Funds</th>
<th>19,176.92</th>
<th>-</th>
<th>$(19,176.92)</th>
<th>31,117.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Funds</td>
<td></td>
<td>Other Funds</td>
<td>4,206,437.15</td>
<td>$(4,204,524.15)</td>
<td>$(1,913.00)</td>
<td>$(86,317.05)</td>
</tr>
<tr>
<td>Total Teaching</td>
<td></td>
<td></td>
<td>4,225,614.07</td>
<td>$(4,204,524.15)</td>
<td>$(21,089.92)</td>
<td>$(55,199.93)</td>
</tr>
</tbody>
</table>

| Prior Year Reserves | Not Available for Expenditure | Uncollectible Accounts Receivable | 595,309.13 | - | - | - |

| Budget Unit Totals | | | $4,824,923.20 | $(4,204,524.15) | $(25,089.92) | $(55,199.93) |

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.
### Statement of Changes to Fund Balance by Program and Funding Source

#### Statutory Basis: Budget Fund

**Year Ended June 30, 2019**

<table>
<thead>
<tr>
<th>Early Return</th>
<th>Excess of Funds</th>
<th>Ending Fund Balance June 30</th>
<th>Analysis of Ending Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>Fiscal Year 2018</td>
<td>Available Over Expenditures</td>
<td>Reserved</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ (27,499.90)</td>
<td>$ 1,774.88</td>
<td>$ 5,392.10</td>
</tr>
<tr>
<td>(130,761.74)</td>
<td></td>
<td>$ 4,912,863.15</td>
<td>$ 4,695,784.36</td>
</tr>
<tr>
<td>(130,761.74)</td>
<td>(27,499.90)</td>
<td>$ 4,914,638.03</td>
<td>$ 4,701,176.46</td>
</tr>
<tr>
<td>130,761.74</td>
<td></td>
<td></td>
<td>$ 726,070.87</td>
</tr>
</tbody>
</table>

| $ -          | (27,499.90)     | $ 4,914,638.03              | $ 5,427,247.33      | $ 7,757.92 | $ 5,427,247.33 |

#### Summary of Ending Fund Balance

<table>
<thead>
<tr>
<th>Reserved</th>
<th></th>
<th>$ 437,612.04</th>
<th>$ -</th>
<th>$ 437,612.04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Sales and Services</td>
<td>$ 2,908,443.10</td>
<td>-</td>
<td>$ 2,908,443.10</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost Recoveries</td>
<td>$ 1,040,792.90</td>
<td>-</td>
<td>$ 1,040,792.90</td>
<td></td>
</tr>
<tr>
<td>Technology Fees</td>
<td>$ 0.01</td>
<td>-</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Restricted/Sponsored Funds</td>
<td>$ 726,070.87</td>
<td>-</td>
<td>$ 726,070.87</td>
<td></td>
</tr>
<tr>
<td>Uncollectible Accounts Receivable</td>
<td>$ 306,570.49</td>
<td>-</td>
<td>$ 306,570.49</td>
<td></td>
</tr>
<tr>
<td>Tuition Carry-Over</td>
<td>-</td>
<td>$ 7,757.92</td>
<td>$ 7,757.92</td>
<td></td>
</tr>
</tbody>
</table>

| Unreserved Surplus | $ 5,419,489.41 | $ 7,757.92 | $ 5,427,247.33 |

**Total Ending Fund Balance - June 30**

| $ 5,419,489.41 | $ 7,757.92 | $ 5,427,247.33 |
SECTION II

ENTITY’S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS
PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.
SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

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

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

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

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2019-001 Improve Controls over the Verification Process

<table>
<thead>
<tr>
<th>Compliance Requirement:</th>
<th>Special Tests and Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control Impact:</td>
<td>Significant Deficiency</td>
</tr>
<tr>
<td>Compliance Impact:</td>
<td>Nonmaterial Noncompliance</td>
</tr>
<tr>
<td>Federal Awarding Agency:</td>
<td>U. S. Department of Education</td>
</tr>
<tr>
<td>Pass-Through Entity:</td>
<td>None</td>
</tr>
<tr>
<td>CFDA Numbers and Titles:</td>
<td>84.007 – Federal Supplement Educational Opportunity Grant Program</td>
</tr>
<tr>
<td></td>
<td>84.033 – Federal Work-Study Program</td>
</tr>
<tr>
<td></td>
<td>84.063 – Federal Pell Grant Program</td>
</tr>
<tr>
<td></td>
<td>84.268 – Federal Direct Student Loans Program</td>
</tr>
<tr>
<td></td>
<td>84.379 – Teacher Education Assistance for College and Higher Education (TEACH) Grant Program</td>
</tr>
<tr>
<td>Questioned Costs:</td>
<td>$11,089.00</td>
</tr>
</tbody>
</table>

Description:
The Institution's Student Financial Assistance Office did not meet student verification requirements.

Criteria:
Provisions included in 34 CFR 668 provide the compliance requirements for the verification process that the Institution should follow for students who receive financial aid and identify what documentation is acceptable.
Condition:
A sample of 40 students who were selected for verification by the U.S. Department of Education was randomly selected for testing using a non-statistical sampling method. Verification records were reviewed to ensure that the Institution obtained acceptable verification documentation, matched documentation obtained to the student aid application, submitted appropriate corrections when necessary, and reported the correct verification status to the Common Origination and Disbursement (COD) system. Testing revealed that verification procedures were not completed for one student.

Questioned Cost:
Questioned costs of $11,089.00, with likely questioned cost of $270,508.67, were identified for the student for whom verification procedures were not completed appropriately but received student financial assistance. The following CFDA numbers were affected by the known and likely questioned costs: 84.007, 84.063, and 84.268.

Cause:
In discussing these deficiencies with management, they stated that the student’s verification documentation was misplaced or lost.

Effect or Potential Effect:
This deficiency may expose the Institution to unnecessary financial strains and shortages. The funds disbursed to students for whom necessary verification procedures have not been completed must be returned to the U.S. Department of Education. Though the Institution may attempt to collect the funds from individual students affected by the error, these collection efforts could be unsuccessful as the students may no longer attend the Institution and/or fail to repay the funds. Additionally, the Institution was not in compliance with Federal regulations concerning performing verification procedures and awarding of SFA funds to students.

Recommendation:
The Institution should develop and implement procedures to ensure that verification requirements are met and appropriate documentation is maintained on file. The Institution should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials:
We concur with this finding.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Financial Reporting
Observation:
Our review of the financial statements revealed several instances where misstatements occurred in the Institution's financial statements and the notes to the financial statements. In addition, calculation and posting errors were noted with several of the Institution’s Year End Journal Entries. Finally, an adjustment was required to the Schedule of Expenditures of Federal Awards for accurate presentation.

Recommendation:
The Institution should strengthen their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures and schedules, presented for audit are complete and accurate. The Institution should consider implementing the use of a review checklist to assist in the review process over the financial statements.
Management’s Response:
We agree with the observations noted above. The Finance Department was in a state of transition during this period of time with the prior Controller leaving a few months prior to our fiscal year end. Experienced consultants were retained to assist in the preparation of our financial statements. They are very knowledgeable with GAAP, GASB and USG reporting requirements. However, some items were disclosed incorrectly, not to a material degree, due to some issues with supporting documentation and last minute edits, but we missed these in our review. We are enhancing our review controls to include financial review checklists over financial reporting to mitigate the risk of errors in our financial statements, and we will be improving our closing procedures related to period end closing to speed up our closing process to allow more time for a stronger review.

Contact Person: Allen Salter, Assistant Vice President, Controller
Telephone: 478-827-3229
E-mail: allen.salter@fvsu.edu

Accounts Receivable

Observation:
The Institution did not have any documentation to support accounts receivable balances in the amount of $416,764.38.

Recommendation:
The Institution should ensure all accounts receivable balance at year-end are accurate and properly supported. The Institution should review their internal controls and procedures over the account receivable accounts to ensure accurate reporting.

Management’s Response:
We agree with the observations noted above and have already begun a rigorous process to better document and support balances in these receivables accounts. We note that most of these balances related to direct and alternative loans and designated scholarships that typically clear through several liability accounts often result in debit balances sometimes as a result of timing differences between awarding and cash receipt from funding sources.

Contact Person: Allen Salter, Assistant Vice President, Controller
Telephone: 478-827-3229
E-mail: allen.salter@fvsu.edu

Reconciliation of Subsidiary Modules

Observation:
According to the Board of Regents Business Procedures Manual, subsidiary reconciliations are required to be performed quarterly. The reconciliations could not be provided for the entire year for all subsidiary modules other than Banner, which was reconciled quarterly. All other modules were either not reconciled, or the reconciliation could not be documented.

Recommendation:
The Institution should review procedures in place and implement changes necessary to ensure that subsidiary reconciliations are performed, documented and complete in accordance with Business Procedures Manual Section 1.9. In addition, the Institution should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.
Management’s Response:
We agree with the findings, except to say that reconciliations for accounts payable were being done but simply not properly documented to show clear evidence of a reconciliation between the accounts payable module and the general ledger. We also have review controls over payroll in that a review is done every pay period between the payroll ledger and general ledger. However, this review was not being documented. We have already established a reconciliation to reconcile payroll each pay period and quarterly, which will be properly documented. All reconciliations will show evidence of preparer and reviewer.

Contact Person: Allen Salter, Assistant Vice President, Controller
Telephone: 478-827-3229
E-mail: allen.salter@fvsu.edu

Inadequate Controls over Purchasing Cards

Observation:
A review of thirty-seven purchasing card transactions revealed purchasing card users did not follow the guidelines for purchasing card transactions as prescribed in the Institution’s Procurement Card (P-Card) Manual. The following were noted during testing:

1. Four individual transactions were found to be split purchases.
2. Four purchases did not have prior approval.

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

Management’s Response:
We agree with the observations noted above. On one split purchase, upon further investigation the user ordered inventory to only find out some inventory items were unavailable. Therefore, the user canceled that order and submitted a separate order of only the inventory available. There is a timing difference between the credit from the vendor on the first order and the original order, making it appear as if this was an attempt to do a split purchase. We did address each issue with the responsible individuals where there was lack of proper approval or legitimate split transactions, including restriction of card usage for one user. We do have very clear-well defined policies and procedures that are communicated to all users. However, we plan to revisit them and consider increasing the severity of penalties for improper P-Card usage, and we may consider eliminating many P-Cards, restricting the amount of users to a very small group of employees in certain departments. Cost-vs-benefit is a major consideration given the limitations on usage and prior approval burdens for small dollar purchases.

Contact Person: Allen Salter, Assistant Vice President, Controller
Telephone: 478-827-3229
E-mail: allen.salter@fvsu.edu

Capital Assets

Observation:
Several errors were noted during our review of the Institution’s capital assets activity. The following errors were noted:

1. Library Collections were overstated by the Institution by $305,627.89.
2. Numerous errors were noted within the Institution’s Library Collection Depreciation Schedule for cost, accumulated depreciation and net book value. These errors were a result of incorrect formulas within the schedule and incorrect depreciation calculations.

3. The Institution overstated Equipment additions by $276,912.78 within the Capital Asset note disclosure.

Recommendation:
The Institution should ensure all capital assets at year-end are accurate and properly supported. The Institution should review their accounting controls and procedures over the capital asset accounts to ensure accurate reporting.

Management Response:
We agree with the observations noted above. We are going back in prior years to determine the correct additions balances that should have been used and coupled with the misstatement of our depreciation, adjust our balances accordingly. We identified the errors in the calculation and do have the proper calculation model to insure depreciation is recorded correctly. Additionally, the adjustments to the ledger for library collections and depreciation will be reviewed by the Director of Accounting and Controller as part of our year-end review procedures over estimates and calculations for depreciation, allowance for doubtful accounts and other adjustments involving estimations and/or calculations.

Contact Person: Allen Salter, Assistant Vice President, Controller
Telephone: 478-827-3229
E-mail: allen.salter@fvsu.edu

Logical Access IT General Controls

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

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

Management Response:
We agree with the findings and have already addressed the issues discovered during the audit. We will continue to audit the accounts on a regular basis and will evaluate policies and procedures covering account creation and access roles. We will work with the Banner Managed Services Group within ITS to ensure we are in compliance now and in the future.

Contact Person: Charlie Weaver, Chief Information Officer
Phone Number: 478-82-1042
Email: weaverc@fvsu.edu
Return of Title IV Funds

Observation:
Our review of a sample of 19 students to test the Institution’s compliance with 34 CFR 668.22, which is related to the return of Title IV funds, revealed significant variances in the refunds calculated for two students. These two students were requested to return $205.27 less than the required amount to various SFA programs. Insignificant variances were also noted with most of the students’ refunds and the proration between the school and student portion of the refund due to the use of the incorrect number of break days for Fall 2018 and/or incorrect institutional charges throughout the award year. In addition, it was noted that funds were not returned in the appropriate timeframe for one student.

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

Management Response:
The Institution’s Office of Financial Aid (OFA) has revised the procedures and effective Fall 2019 will be implementing the changes to ensure that student financial aid refunds are properly calculate 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. OFA staff responsible for processing Return of Title IV have been provided with the revised procedures and trained on the correct method when determining amounts to return.

Contact Person: Kimberly Morris, Director, Financial Aid
Phone Number: 478-825-6605
Email: morrisk01@fvsu.edu

Untimely Enrollment Reporting

Observation:
Our testing of 19 students who withdrew during the Fall 2018 and Spring 2019 semesters revealed that three students’ withdrawn enrollment status effective dates were inaccurately reported to the National Student Loan Data System (NSLDS). Additionally, one student’s withdrawn enrollment status was never reported to NSLDS.

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

Management Response:
Procedures have been formulated and responsibility has been assigned within the Office of the Registrar to ensure that changes in a student’s enrollment status is reported in a timely manner. Some additional enhancements have been made to the current procedures which will help eliminate problems identified in the current audit.

Contact Person: Sharee J. Lawrence, Registrar
Phone Number: (478) 825-6282
Email: lawrencs@fvsu.edu
SECTION IV

MANAGEMENT’S CORRECTIVE ACTION
The Institution's Student Financial Assistance Office did not meet student verification requirements.

**Corrective Action Plans:**
The University has invested in an electronic system to collect and store documents to prevent error in losing paperwork. The Office of Financial Aid (OFA) will ensure proper training of employees on the verification process. Also, as employee’s transition out of the department, the Director or Associate Director will ensure the proper review of the financial aid files they were responsible for are properly documented and processed.

Verification was performed on the student in question with the correct documentation and no changes were needed. The student’s award amounts stayed the same. No aid needs to be returned to the U.S. Department of Education.

**Contact Person:** Kimberly Morris  
**Title:** Director, Financial Aid  
**Phone Number:** 478-825-6605  
**Email:** morrisk01@fvsu.edu