



# **EAST GEORGIA STATE COLLEGE SWAINSBORO, GEORGIA**

**MANAGEMENT REPORT  
FOR FISCAL YEAR ENDED  
JUNE 30, 2019**

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



EAST GEORGIA STATE COLLEGE

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

November 15, 2019

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the State Board of Regents of the  
University System of Georgia  
and  
Dr. Bob Boehmer, President  
East Georgia State College

Ladies and Gentlemen:

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

Additionally, we have performed certain procedures at East Georgia State College 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 East Georgia State College, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools - Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Greg S. Griffin  
State Auditor

SELECTED FINANCIAL INFORMATION

EAST GEORGIA STATE COLLEGE  
STATEMENT OF NET POSITION - (GAAP BASIS)  
JUNE 30, 2019

EXHIBIT "A"

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 3,001,207
Cash and Cash Equivalents (Externally Restricted)	80,009
Accounts Receivable, Net	
Federal Financial Assistance	1,469,930
Affiliated Organizations	8,949
Other	1,522,717
Inventories	14,187
Prepaid Items	6,054
Total Current Assets	6,103,053
Noncurrent Assets	
Investments (Externally Restricted)	47,750
Capital Assets, Net	26,895,718
Total Noncurrent Assets	26,943,468
Total Assets	33,046,521
Deferred Outflows of Resources	4,982,295
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	347,501
Salaries Payable	140,449
Benefits Payable	52,741
Contracts Payable	286,048
Retainage Payable	126,456
Advances (Including Tuition and Fees)	422,846
Deposits	200
Deposits Held for Other Organizations	34,082
Lease Purchase Obligations	1,173
Compensated Absences	365,003
Total Current Liabilities	1,776,499
Noncurrent Liabilities	
Compensated Absences	209,658
Net Other Post Employment Benefits Liability	18,477,430
Net Pension Liability	10,952,592
Total Noncurrent Liabilities	29,639,680
Total Liabilities	31,416,179
Deferred Inflows of Resources	2,773,399
<u>NET POSITION</u>	
Net Investment in Capital Assets	26,500,526
Restricted for:	
Nonexpendable	37,100
Expendable	34,841
Unrestricted (Deficit)	(22,733,229)
Total Net Position	\$ 3,839,238

EAST GEORGIA STATE COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2019

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net)	\$	3,981,928
Grants and Contracts		
Federal		56,238
State		199,676
Other		19,337
Sales and Services		11,799
Rents and Royalties		3,331
Auxiliary Enterprises (Net)		
Residence Halls		681,548
Bookstore		74,891
Food Services		1,201,341
Parking /Transportation		217,528
Health Services		62,268
Intercollegiate Athletics		565,547
Other Organizations		4,287
Other Operating Revenues		<u>187,988</u>
Total Operating Revenues		<u>7,267,707</u>

OPERATING EXPENSES

Faculty Salaries		5,225,317
Staff Salaries		5,675,381
Employee Benefits		5,105,021
Other Personal Services		80,904
Travel		135,027
Scholarships and Fellowships		4,640,667
Utilities		607,264
Supplies and Other Services		4,331,424
Depreciation		<u>885,333</u>
Total Operating Expenses		<u>26,686,338</u>
Operating Loss		<u>(19,418,631)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations		9,984,666
Grants and Contracts		
Federal		8,515,520
State		76,518
Other		334,442
Gifts		455,861
Investment Income (Endowments, Auxiliary and Other)		31,014
Interest Expense (Capital Assets)		(152)
Other Nonoperating Revenues (Expenses)		<u>(48,982)</u>
Net Nonoperating Revenues		<u>19,348,887</u>
Loss Before Other Revenues, Expenses, Gains, or Losses		<u>(69,744)</u>
Capital Grants and Gifts		
State		<u>1,115,265</u>
Change in Net Position		1,045,521
Net Position - Beginning of Year		<u>2,793,717</u>
Net Position - End of Year	\$	<u><u>3,839,238</u></u>

EAST GEORGIA STATE COLLEGE  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2019

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 6,909,545
Grants and Contracts (Exchange)	256,061
Payments to Suppliers	(9,614,790)
Payments to Employees	(11,049,579)
Payments for Scholarships and Fellowships	<u>(4,640,667)</u>
Net Cash Used by Operating Activities	<u>(18,139,430)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	9,984,666
Agency Funds Transactions - Receipts	30,043,440
Agency Funds Transactions - Disbursements	(30,786,943)
Gifts and Grants Received for Other than Capital Purposes	<u>9,255,064</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>18,496,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	1,093,662
Purchases of Capital Assets	(1,330,247)
Principal Paid on Capital Debt and Leases	(1,655)
Interest Paid on Capital Debt and Leases	<u>(152)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(238,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,474
Investment Income	<u>31,014</u>
Net Cash Used by Investing Activities	<u>32,488</u>
Net Increase in Cash and Cash Equivalents	150,893
Cash and Cash Equivalents - Beginning of Year	<u>2,930,323</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 3,081,216</u></u>



EAST GEORGIA STATE COLLEGE  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2019

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES:

Operating Loss	\$	(19,418,631)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Depreciation		885,333
Change in Assets and Liabilities:		
Receivables, Net		(88,157)
Inventories		(1,727)
Prepaid Items		(5,392)
Accounts Payable		(113,343)
Salaries Payable		11,861
Contracts Payable		5,000
Retainage Payable		2,115
Deposits		(1,695)
Advances (Including Tuition and Fees)		(12,010)
Other Liabilities		(474)
Compensated Absences		(25,715)
Net Pension Liability		(3,819)
Other Post-Employment Benefit Liability		483,759
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		1,250,051
Deferred Outflows of Resources		(1,106,586)

Net Cash Used by Operating Activities \$ (18,139,430)

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

Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	\$	<u>959,312</u>
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	\$	<u>52,172</u>
Current Year Accruals Related to Capital Financing Activities	\$	<u>356,144</u>
Loss on Disposal of Capital Assets	\$	<u>(48,981)</u>
Accrual of Capital Asset Related Payables	\$	<u>394,019</u>

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **NATURE OF OPERATIONS**

The East Georgia State College (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](http://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, 20219 are classified in the accompanying statement of net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	3,001,207
Cash and Cash Equivalents (Externally Restricted)		80,009

Noncurrent

Investments (Externally Restricted)		47,750
	\$	<u><u>3,128,966</u></u>

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

Cash on Hand	\$	5,586
Deposits with Financial Institutions		2,145,502
Investments		977,878
	\$	<u><u>3,128,966</u></u>

**DEPOSITS WITH FINANCIAL INSTITUTIONS**

Deposits includes certificates of deposits and demand deposit accounts, including certain interest bearing 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.
6. Letters of credit issued by a Federal Home Loan Bank.

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 \$2,672,423. 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 is the pooled investment fund options are described below.

1. Short-Term Fund

The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in

this fund will typically range between daily and three years, and the fund will typically have an overall average duration of  $\frac{3}{4}$  - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Institution's position in the Short-Term Fund at June 30, 2019 was \$930,128, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.63 years.

2. 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 \$47,750, 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:

1. In the Short-Term Fund and Legal Fund, all debt issues must be eligible investments under O.C.G.A § 50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.
2. 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.

EAST GEORGIA STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2019

EXHIBIT "D"

**NOTE 3: ACCOUNTS RECEIVABLE**

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

Student Tuition and Fees	\$ 528,846
Auxiliary Enterprises and Other Operating Activities	56,093
Federal Financial Assistance	1,469,931
Georgia Student Finance Commission	737,616
Georgia State Financing and Investment Commission	356,143
Due from Affiliated Organizations	8,949
Due from Other USG Institutions	22,000
Other	<u>79,437</u>
	3,259,015
Less Allowance for Doubtful Accounts	<u>257,419</u>
Net Accounts Receivable	<u>\$ 3,001,596</u>

EAST GEORGIA STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2019

EXHIBIT "D"

**NOTE 4: CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,059,959	\$ -	\$ -	\$ 1,059,959
Construction Work-In-Progress	<u>1,189,543</u>	<u>1,422,968</u>	<u>1,066,873</u>	<u>1,545,638</u>
<b>Total Capital Assets, Not Being Depreciated</b>	<u>2,249,502</u>	<u>1,422,968</u>	<u>1,066,873</u>	<u>2,605,597</u>
<b>Capital Assets, Being Depreciated:</b>				
Infrastructure	1,415,389	-	-	1,415,389
Building and Building Improvements	31,336,308	1,079,481	318,057	32,097,732
Facilities and Other Improvements	740,044	-	-	740,044
Equipment	3,360,438	281,709	179,760	3,462,387
Library Collections	<u>903,167</u>	<u>6,981</u>	<u>8,377</u>	<u>901,771</u>
<b>Total Capital Assets Being Depreciated/Amortized</b>	<u>37,755,346</u>	<u>1,368,171</u>	<u>506,194</u>	<u>38,617,323</u>
<b>Less: Accumulated Depreciation:</b>				
Infrastructure	530,771	50,954	-	581,725
Building and Building Improvements	9,584,648	555,340	302,197	9,837,791
Facilities and Other Improvements	329,517	31,264	-	360,781
Equipment	2,576,895	242,898	146,639	2,673,154
Library Collections	<u>877,251</u>	<u>4,877</u>	<u>8,377</u>	<u>873,751</u>
<b>Total Accumulated Depreciation</b>	<u>13,899,082</u>	<u>885,333</u>	<u>457,213</u>	<u>14,327,202</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>23,856,264</u>	<u>482,838</u>	<u>48,981</u>	<u>24,290,121</u>
<b>Capital Assets, Net</b>	<u>\$ 26,105,766</u>	<u>\$ 1,905,806</u>	<u>\$ 1,115,854</u>	<u>\$ 26,895,718</u>

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

Fiscal Year	Depreciation Expense
2019	\$ 885,333
2018	\$ 856,496
2017	\$ 804,493



EAST GEORGIA STATE COLLEGE  
SELECTED FINANCIAL NOTES  
JUNE 30, 2019

EXHIBIT "D"

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

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

		<u>Current Liabilities</u>
Prepaid Tuition and Fees	\$	364,415
Other - Advances		<u>58,431</u>
 Total	 \$	 <u><u>422,846</u></u>

**NOTE 6: LONG-TERM LIABILITIES**

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

	<u>Balance</u>		<u>Balance</u>		<u>Balance</u>	<u>Current</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Portion</u>	
Leases						
Lease Obligations	\$ 2,828	\$ -	\$ 1,655	\$ 1,173	\$	1,173
Other Liabilities						
Compensated Absences	<u>600,377</u>	<u>461,660</u>	<u>487,376</u>	<u>574,661</u>	<u>365,003</u>	
Total Long-Term Obligations	<u>\$ 603,205</u>	<u>\$ 461,660</u>	<u>\$ 489,031</u>	<u>\$ 575,834</u>	<u>\$</u>	<u>366,176</u>

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 and June 30, 2018, consisted of the following:

	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2018</u>	<u>2019</u>
Deferred Outflow of Resources		
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	\$ 2,508,002	\$ 2,824,518
Deferred Loss on OPEB Plan (See Note 14)	<u>1,367,708</u>	<u>2,157,777</u>
Total Deferred Outflows of Resources	<u>\$ 3,875,710</u>	<u>\$ 4,982,295</u>
Deferred Inflow of Resources		
Deferred Gain on Defined Benefit Pension Plans (See Note 11)	\$ 291,188	\$ 417,188
Deferred Gain on OPEB Plan (See Note 14)	<u>1,232,160</u>	<u>2,356,211</u>
Total Deferred Inflows of Resources	<u>\$ 1,523,348</u>	<u>\$ 2,773,399</u>

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**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	\$	<u>26,500,526</u>
Restricted for		
Nonexpendable		
Permanent Endowment		<u>37,100</u>
Expendable		
Sponsored and Other Organized Activities		<u>34,841</u>
Unrestricted		
Auxiliary Operations		1,436,872
Auxiliary Enterprises Renewals and Replacement Reserve		266,810
Reserve for Encumbrances		5,228,734
Reserve for Inventory		673
Other Unrestricted		<u>(29,666,318)</u>
Sub-Total		<u>(22,733,229)</u>
Total Net Position	\$	<u><u>3,839,238</u></u>

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

	Balance <u>July 1, 2018</u>	Additions	Reductions	Balance <u>June 30, 2019</u>
Net Investment in Capital Assets	\$ 26,102,938	\$ 1,725,921	\$ 1,328,333	\$ 26,500,526
Restricted Net Position	205,982	10,316,996	10,451,037	71,941
Unrestricted Net Position	<u>(23,515,203)</u>	<u>17,463,997</u>	<u>16,682,023</u>	<u>(22,733,229)</u>
Total Net Position	<u>\$ 2,793,717</u>	<u>\$ 29,506,914</u>	<u>\$ 28,461,393</u>	<u>\$ 3,839,238</u>

**NOTE 9: ENDOWMENTS**

**DONOR RESTRICTED ENDOWMENTS**

Investments of the Institution's endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$1,524 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institution's endowment funds is predicated on the total return concept. Annual payouts from the Institution's endowment funds are based on a spending policy which limits spending between 4%

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and 6% of endowment principal market value as of the previous fiscal year end. In the event that earnings do not meet expectations, distributions will be suspended when the balance falls below 110% of historic dollar value or 90% of the previous fiscal year end balance, whichever is greater.

For the current year, the Institution did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation.

**NOTE 10: LEASES**

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

**CAPITAL LEASES**

The Institution acquires certain equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. §50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution's principal and interest payments related to capital leases for fiscal year 2019 were \$1,655 and \$152, respectively. The current interest rate is .61%.

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

Description	<u>Gross Amount</u> (+)	<u>Accumulated Depreciation</u> (-)	<u>Net Assets Held Under Capital Lease at June 30, 2019</u> (=)	<u>Outstanding Balances per Lease Schedules at June 30, 2019</u>
Equipment	\$ <u>6,250</u>	\$ <u>4,947</u>	\$ <u>1,303</u>	\$ <u>1,173</u>

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

<u>Description</u>	<u>Lessor</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin Month/Year</u>	<u>End Month/Year</u>	<u>Outstanding Principal</u>
Copier	Ricoh	\$ <u>6,250</u>	48 Months	March 2016	February 2020	\$ <u>1,173</u>

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 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 \$11,020.

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**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:

	Capital Leases	Operating Leases
Year Ending June 30:		
2020	\$ 1,205	\$ 8,966
2021	-	9,717
2022	-	4,308
	1,205	22,991
Total Minimum Lease Payments	1,205	\$ <u>22,991</u>
Less: Interest	32	
Principal Outstanding	\$ 1,173	

**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**

**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](http://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

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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 \$1,474,615 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 0.059005%, which was an increase of 0.000053% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institution recognized pension expense of \$1,280,280 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:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 725,077	\$ 22,574
Changes of assumptions	165,271	-
Net difference between projected and actual earnings on pension plan investments	-	299,465
Changes in proportion and differences between contributions and proportionate share of contributions	459,555	95,149
Contributions subsequent to the measurement date	<u>1,474,615</u>	<u>-</u>
Total	<u>\$ 2,824,518</u>	<u>\$ 417,188</u>

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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:

Year Ended June 30:	TRS
2020	\$ 672,004
2021	\$ 425,181
2022	\$ (181,750)
2023	\$ 6,744
2024	\$ 10,536

**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.

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

Asset class	TRS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large equities	39.80%	9.00%
Domestic mid equities	3.70%	12.00%
Domestic small equities	1.50%	13.50%
International developed market equities	19.40%	8.00%
International emerging market equities	5.60%	12.00%
Alternatives	-	10.50%
Total	<u>100.00%</u>	

\* 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, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**Teachers Retirement System:**

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 18,283,012	\$ 10,952,592	\$ 4,911,953

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial reports which are publically available at [www.trsga.com/publications](http://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 \$273,442 (9.24%) and \$177,560 (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 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 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

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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 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:

Active Employees	214
Retirees or Beneficiaries Receiving Benefits	51
Retirees Receiving Life Insurance Only	10
 Total	 275

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 \$652,441 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 0.418918%, which was a decrease of 0.007500% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the Institution recognized OPEB expense of \$1,470,182. At June 30, 2019, the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,288,471	\$ -
Changes of assumptions	-	2,074,276
Net difference between projected and actual earnings on OPEB plan investments	3,943	-
Changes in proportion and differences between contributions and proportionate share of contributions	212,922	281,935
Contributions subsequent to the measurement date	652,441	-
Total	\$ 2,157,777	\$ 2,356,211

The Institution's contributions subsequent to the measurement date of \$652,441 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:

2020	\$	(179,395)
2021	\$	(179,395)
2022	\$	(179,395)
2023	\$	(174,334)
2024	\$	(76,440)
Thereafter	\$	(61,916)

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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:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	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 4.50% General Inflation 2.50% Salary Growth 4.00%
Mortality Rates	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)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	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.

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

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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:

Asset Class	Expected Return	Target Allocation
Fixed Income	1.10%	70%
Equity Allocation	3.98%	30%

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%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Proportionate Share of the Net OPEB Liability	\$ 22,044,723	\$ 18,477,430	\$ 15,687,475

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:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 15,581,173	\$ 18,477,430	\$ 22,288,107
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

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](http://www.usg.edu/fiscal_affairs/financial_reporting).

SUPPLEMENTARY INFORMATION

EAST GEORGIA STATE COLLEGE  
BALANCE SHEET (STATUTORY BASIS)  
BUDGET FUND  
JUNE 30, 2019

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$	1,715,452.57
Investments		1,329.17
Accounts Receivable		
Federal Financial Assistance		957,714.66
Other		3,960,866.55
Prepaid Expenditures		6,054.30
Inventories		210.56
Other Assets		22,000.00
		22,000.00
Total Assets	\$	6,663,627.81

LIABILITIES AND FUND EQUITY

Liabilities		
Accrued Payroll	\$	125,243.67
Encumbrances Payable		4,874,505.86
Accounts Payable		212,349.88
Unearned Revenue		376,434.08
		376,434.08
Total Liabilities		5,588,533.49
Fund Balances		
Reserved		
Department Sales and Services		10,008.65
Indirect Cost Recoveries		153,132.12
Technology Fees		211,345.98
Restricted/Sponsored Funds		290,018.30
Uncollectible Accounts Receivable		237,964.99
Inventories		673.00
Tuition Carry-Over		168,705.35
Unreserved		
Surplus		3,245.93
		3,245.93
Total Fund Balances		1,075,094.32
Total Liabilities and Fund Balances	\$	6,663,627.81

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.

EAST GEORGIA STATE COLLEGE  
 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE  
 (STATUTORY BASIS) BUDGET FUND  
 YEAR ENDED JUNE 30, 2019

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ 9,866,396.00	\$ 9,866,396.00	\$ 9,994,404.00	\$ 9,994,404.00
Other Funds	<u>22,546,908.00</u>	<u>22,546,908.00</u>	<u>23,868,608.00</u>	<u>22,057,657.54</u>
Total Operating Activity	<u>\$ 32,413,304.00</u>	<u>\$ 32,413,304.00</u>	<u>\$ 33,863,012.00</u>	<u>\$ 32,052,061.54</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.



Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Negative	Actual	Variance Positive	
\$ -	\$ -	\$ 9,994,404.00	\$ -	\$ 9,992,632.00	\$ 1,772.00	\$ 1,772.00
<u>694,361.54</u>	<u>-</u>	<u>22,752,019.08</u>	<u>(1,116,588.92)</u>	<u>21,777,855.96</u>	<u>2,090,752.04</u>	<u>974,163.12</u>
<u>\$ 694,361.54</u>	<u>\$ -</u>	<u>\$ 32,746,423.08</u>	<u>\$ (1,116,588.92)</u>	<u>\$ 31,770,487.96</u>	<u>\$ 2,092,524.04</u>	<u>\$ 975,935.12</u>

	Beginning Fund Balance	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Period Adjustments
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ 2,592.99	\$ -	\$ (2,592.99)	\$ 2,443.00
Other Funds	<u>694,556.23</u>	<u>(694,361.54)</u>	<u>(194.69)</u>	<u>4,277.07</u>
Total Teaching	697,149.22	(694,361.54)	(2,787.68)	6,720.07
<b>Prior Year Reserves</b>				
Not Available for Expenditure				
Inventories	700.00	-	-	-
Uncollectible Accounts Receivable	<u>98,689.51</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Budget Unit Totals	 <u>\$ 796,538.73</u>	 <u>\$ (694,361.54)</u>	 <u>\$ (2,787.68)</u>	 <u>\$ 6,720.07</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.



SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

EAST GEORGIA STATE COLLEGE  
ENTITY'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

EAST GEORGIA STATE COLLEGE  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2019

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

No matters were noted.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

**Untimely Enrollment Reporting**

Observation:

Our testing of 40 students who withdrew during the Fall 2018 and Spring 2019 semesters revealed that eight of the students' withdrawn enrollment statuses were not reported to the National Student Loan Data System (NSLDS) within the required 30 days or 60 days if a roster file was previously scheduled to be submitted. Additionally, two students' withdrawn enrollment statuses were never reported to NSLDS.

Recommendation:

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

Management's Response:

The institution will modify procedures for reporting to NSLDS. In addition to the once a month reporting, a reporting step will be added to end-of-term processes. The additional reporting step will prevent occurrences such as stated above.

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