



# **MIDDLE GEORGIA STATE UNIVERSITY MACON, GEORGIA**

**MANAGEMENT REPORT  
FOR FISCAL YEAR ENDED  
JUNE 30, 2020**

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



MIDDLE GEORGIA STATE UNIVERSITY

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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

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. Christopher Blake, President  
Middle Georgia State University

Ladies and Gentlemen:

This Management Report contains information pertinent to the Middle Georgia 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, 2020. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement. 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 Middle Georgia 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, 2020.

This report is intended solely for the information and use of the management of Middle Georgia 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

September 2, 2020

SELECTED FINANCIAL INFORMATION

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF NET POSITION - (GAAP BASIS)  
JUNE 30, 2020

EXHIBIT "A"

| <u>ASSETS</u>                                 |               |
|---|---------------|
| Current Assets                                |               |
| Cash and Cash Equivalents                     | \$ 10,695,108 |
| Accounts Receivable, Net                      |               |
| Federal Financial Assistance                  | 401,301       |
| Affiliated Organizations                      | 39,239        |
| Other   | 2,267,244     |
| Inventories                                   | 758,420       |
| Prepaid Items                                 | 184,603       |
|   | <hr/>         |
| Total Current Assets                          | 14,345,915    |
| Noncurrent Assets                             |               |
| Accounts Receivable, Net                      |               |
| Due From USO - Capital Liability Reserve Fund | 715,528       |
| Investments                                   | 2,092,964     |
| Investments (Externally Restricted)           | 79,777        |
| Capital Assets, Net                           | 202,635,819   |
|   | <hr/>         |
| Total Noncurrent Assets                       | 205,524,088   |
|   | <hr/>         |
| Total Assets                                  | 219,870,003   |
|   | <hr/>         |
| Deferred Outflows of Resources                | 18,142,106    |
|   | <hr/>         |
| <u>LIABILITIES</u>                            |               |
| Current Liabilities                           |               |
| Accounts Payable                              | 1,113,214     |
| Salaries Payable                              | 485,253       |
| Benefits Payable                              | 91,657        |
| Advances (Including Tuition and Fees)         | 1,995,357     |
| Deposits                                      | 1,089,131     |
| Deposits Held for Other Organizations         | 47,534        |
| Lease Purchase Obligations                    | 2,921,584     |
| Compensated Absences                          | 1,584,462     |
|   | <hr/>         |
| Total Current Liabilities                     | 9,328,192     |
| Noncurrent Liabilities                        |               |
| Lease Purchase Obligations                    | 78,567,960    |
| Compensated Absences                          | 932,455       |
| Net Other Post Employment Benefits Liability  | 61,355,994    |
| Net Pension Liability                         | 46,145,086    |
|   | <hr/>         |
| Total Noncurrent Liabilities                  | 187,001,495   |
|   | <hr/>         |
| Total Liabilities                             | 196,329,687   |
|   | <hr/>         |
| Deferred Inflows of Resources                 | 16,088,618    |
|   | <hr/>         |
| <u>NET POSITION</u>                           |               |
| Net Investment in Capital Assets              | 116,088,499   |
| Restricted for:                               |               |
| Nonexpendable                                 | 32,329        |
| Expendable                                    | 47,448        |
| Unrestricted (Deficit)                        | (90,574,472)  |
|   | <hr/>         |
| Total Net Position                            | \$ 25,593,804 |
|   | <hr/> <hr/>   |

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2020

EXHIBIT "B"

OPERATING REVENUES

|                                |    |            |
|--------------------------------|----|------------|
| Student Tuition and Fees (Net) | \$ | 24,257,160 |
| Grants and Contracts           |    |            |
| Federal                        |    | 208,893    |
| State                          |    | 157,454    |
| Other                          |    | 5,490      |
| Sales and Services             |    | 637,247    |
| Rents and Royalties            |    | 221,517    |
| Auxiliary Enterprises (Net)    |    |            |
| Residence Halls                |    | 7,823,485  |
| Bookstore                      |    | 2,447,455  |
| Food Services                  |    | 3,508,031  |
| Parking /Transportation        |    | 172,749    |
| Health Services                |    | 182,180    |
| Intercollegiate Athletics      |    | 1,166,992  |
| Other Organizations            |    | 518,498    |
| Other Operating Revenues       |    | 1,053,391  |
| Total Operating Revenues       |    | 42,360,542 |

OPERATING EXPENSES

|                              |  |              |
|------------------------------|--|--------------|
| Faculty Salaries             |  | 23,830,492   |
| Staff Salaries               |  | 20,723,642   |
| Employee Benefits            |  | 21,192,655   |
| Other Personal Services      |  | 313,107      |
| Travel                       |  | 386,088      |
| Scholarships and Fellowships |  | 12,876,141   |
| Utilities                    |  | 3,177,818    |
| Supplies and Other Services  |  | 21,647,815   |
| Depreciation                 |  | 7,521,353    |
| Total Operating Expenses     |  | 111,669,111  |
| Operating Loss               |  | (69,308,569) |

NONOPERATING REVENUES (EXPENSES)

|   |    |             |
|---|----|-------------|
| State Appropriations                                |    | 36,902,006  |
| Grants and Contracts                                |    |             |
| Federal   |    | 24,254,523  |
| State   |    | 859,795     |
| Other   |    | 901,278     |
| Gifts   |    | 1,250,961   |
| Investment Income (Endowments, Auxiliary and Other) |    | 290,835     |
| Interest Expense (Capital Assets)                   |    | (3,320,519) |
| Other Nonoperating Revenues (Expenses)              |    | (375)       |
| Net Nonoperating Revenues                           |    | 61,138,504  |
| Change in Net Position                              |    | (8,170,065) |
| Net Position - Beginning of Year (Restated)         |    | 33,763,869  |
| Net Position - End of Year                          | \$ | 25,593,804  |

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2020

EXHIBIT "C"

|   |                      |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                        |                      |
| Payments from Customers                                     | \$ 42,157,851        |
| Grants and Contracts (Exchange)                             | 176,326              |
| Payments to Suppliers                                       | (42,043,679)         |
| Payments to Employees                                       | (44,679,911)         |
| Payments for Scholarships and Fellowships                   | (12,876,141)         |
| Loans Issued to Students                                    | (47,930)             |
| Collection of Loans to Students                             | 57,591               |
| Other Receipts  | <u>48,091</u>        |
| Net Cash Used by Operating Activities                       | <u>(57,207,802)</u>  |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES            |                      |
| State Appropriations  | 36,902,006           |
| Gifts and Grants Received for Other than Capital Purposes   | 27,503,550           |
| Other Non-Capital Financing Payments                        | <u>(104,380)</u>     |
| Net Cash Flows Provided by Non-Capital Financing Activities | <u>64,301,176</u>    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES    |                      |
| Purchases of Capital Assets                                 | (923,178)            |
| Principal Paid on Capital Debt and Leases                   | (2,691,902)          |
| Interest Paid on Capital Debt and Leases                    | <u>(3,629,485)</u>   |
| Net Cash Used by Capital and Related Financing Activities   | <u>(7,244,565)</u>   |
| CASH FLOWS FROM INVESTING ACTIVITIES                        |                      |
| Investment Income   | <u>215,861</u>       |
| Net Increase in Cash and Cash Equivalents                   | 64,670               |
| Cash and Cash Equivalents - Beginning of Year (Restated)    | <u>10,630,438</u>    |
| Cash and Cash Equivalents - End of Year                     | <u>\$ 10,695,108</u> |



MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2020

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES:

|   |                    |
|---|--------------------|
| Operating Loss                                      | \$ (69,308,569)    |
| Adjustments to Reconcile Operating Loss to Net Cash |                    |
| Used by Operating Activities                        |                    |
| Depreciation  | 7,521,353          |
| Change in Assets and Liabilities:                   |                    |
| Receivables, Net                                    | (270,385)          |
| Inventories   | 60,340             |
| Prepaid Items                                       | 95,636             |
| Accounts Payable                                    | 751,957            |
| Salaries Payable                                    | 68,871             |
| Benefits Payable                                    | 9,430              |
| Deposits  | (103,061)          |
| Advances (Including Tuition and Fees)               | (476,249)          |
| Funds Held for Others                               | 48,091             |
| Compensated Absences                                | 203,201            |
| Net Pension Liability                               | 6,734,917          |
| Other Post-Employment Benefit Liability             | (1,104,255)        |
| Change in Deferred Inflows/Outflows of Resources:   |                    |
| Deferred Inflows of Resources                       | 1,181,610          |
| Deferred Outflows of Resources                      | <u>(2,620,689)</u> |

Net Cash Used by Operating Activities \$ (57,207,802)

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

|  |                  |
|--|------------------|
| Current Year Accruals Related to Non-operating Non-capital Grants and Gifts    | \$ 78,110        |
| Amortization of Non-capital Financing Activities Advances and Deferred Inflows | <u>(295,873)</u> |
| Loss on Disposal of Capital Assets   | <u>(375)</u>     |
| Amortization of Deferred Gain of Capital Debt Refunded                         | <u>308,966</u>   |
| Unrealized Gain on Investments   | <u>74,974</u>    |

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF FIDUCIARY NET POSITION - (GAAP BASIS)  
JUNE 30, 2020

EXHIBIT "D"

|   | <u>CUSTODIAL<br/>FUNDS</u> |
|---|----------------------------|
| <u>ASSETS</u>                                     |                            |
| Accounts Receivable, Net                          |                            |
| Other   | \$ <u>700,013</u>          |
| <u>LIABILITIES</u>                                |                            |
| Cash Overdraft                                    | <u>418,799</u>             |
| <u>NET POSITION</u>                               |                            |
| Restricted for:                                   |                            |
| Individuals, Organizations, and Other Governments | \$ <u><u>281,214</u></u>   |

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2020

EXHIBIT "E"

|   | <u>CUSTODIAL<br/>FUNDS</u>   |
|---|------------------------------|
| <u>ADDITIONS</u>                            |                              |
| Federal Financial Aid                       | \$ 31,542,811                |
| State Financial Aid                         | 7,032,688                    |
| Other Financial Aid                         | 3,062,978                    |
| Clubs and Other Organizations Fund Raising  | <u>57,117</u>                |
| Total Additions                             | <u>41,695,594</u>            |
| <u>DEDUCTIONS</u>                           |                              |
| Scholarships and Other Student Support      | 41,593,157                   |
| Student Organizations Support               | <u>85,706</u>                |
| Total Deductions                            | <u>41,678,863</u>            |
| Change in Net Position                      | 16,731                       |
| Net Position - Beginning of Year (Restated) | <u>264,483</u>               |
| <br>Net Position - End of Year              | <br><u><u>\$ 281,214</u></u> |

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

### **NATURE OF OPERATIONS**

The Middle Georgia 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, 2020, 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 and fiduciary fund 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.

The Institution reports the following fiduciary fund:

Custodial funds – Accounts for activities resulting from the Institution acting as an agent or fiduciary for various governments, companies, clubs or individuals.

### NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2020, the Institution adopted GASB Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification and reporting of fiduciary activities. This Statement requires activity meeting certain criteria to be reported in a fiduciary fund within a statement of fiduciary net position and a statement of changes in fiduciary net position. The adoption of this Statement resulted in the restatement of the July 1, 2019 fiduciary net position for custodial fiduciary funds.

For fiscal year 2020, the Institution adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. 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.

**RESTATEMENT NOTE DISCLOSURE**

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

|   | Business-type<br>Activities | Fiduciary Fund    |
|---|-----------------------------|-------------------|
| Net position, Beginning of Year, As Originally Reported | \$ 34,358,065               | \$ -              |
| Changes in accounting principles                        | -                           | 264,483           |
| Correction of prior year errors                         | <u>(594,196)</u>            | <u>-</u>          |
| Net Position, Beginning of Year, Restated               | <u>\$ 33,763,869</u>        | <u>\$ 264,483</u> |

**Changes in Accounting Principles**

The Institution made prior period adjustments due to the adoption of GASB No. 84, which required the restatement of the June 30, 2019 fiduciary fund net position. The result is an increase in fiduciary net position at July 1, 2019 of \$264,483 reported on the Statement of Changes in Fiduciary Net Position and an increase in cash and cash equivalents at July 1, 2019 of \$288,041 reported on the Statement of Cash Flows. This change is in accordance with generally accepted accounting principles.

**Correction of Prior Year Errors**

Business-type activity balances reported at June 30, 2019 were overstated for accounts receivable by \$266,408 and understated for accumulated depreciation by \$327,788. Beginning net position has been decreased by \$594,196 to reflect correction of prior year amounts. This change is in accordance with generally accepted accounting principles.

**NOTE 2: DEPOSITS AND INVESTMENTS**

Cash and cash equivalents and investments as of June 30, 2020 are classified in the accompanying statement of net position as follows:

|  |                      |
|--|----------------------|
| Statement of Net Position                      |                      |
| Current  |                      |
| Cash and Cash Equivalents                      | \$ 10,276,309        |
| Noncurrent                                     |                      |
| Investments                                    | 2,092,964            |
| Noncurrent Investments (Externally Restricted) | 79,777               |
|  | <u>\$ 12,449,050</u> |

Cash on hand, deposits and investments as of June 30, 2020 consist of the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on Hand                         | \$ 4,564             |
| Deposits with Financial Institutions | 6,718,888            |
| Investments                          | 5,725,598            |
|                                      | <u>\$ 12,449,050</u> |

**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.
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, 2020, the bank balances of the Institution's deposits totaled \$9,539,575. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the USG. None of these deposits 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.

MIDDLE GEORGIA STATE UNIVERSITY  
 SELECTED FINANCIAL NOTES  
 JUNE 30, 2020

EXHIBIT "F"

The following table summarizes the valuation of the Institution's investments measured at fair value on a recurring basis as of June 30, 2020.

|                      | Fair Value   |
|----------------------|--------------|
| Investment Pools     |              |
| Board of Regents     |              |
| Short-Term Fund      | \$ 3,552,857 |
| Balanced Income Fund | 917,218      |
| Diversified Fund     | 1,255,523    |
| Total Investments    | \$ 5,725,598 |

*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. 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 ¾ - 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, 2020 was \$3,552,857, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.98 years.

2. Balanced Income Fund

The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for

investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% 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 Balanced Income Fund at June 30, 2020 was \$917,218, of which 71% is invested in debt securities. The Effective Duration of the Fund is 5.78 years.

### 3. 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, 2020 was \$1,255,523, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.73 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 policy for managing interest rate risk for investments.

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**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2020:

|  | Business-type<br>Activities | Fiduciary Fund |
|--|-----------------------------|----------------|
| Student Tuition and Fees                             | \$ 1,750,090                | \$ 2,857       |
| Auxiliary Enterprises and Other Operating Activities | 2,479,042                   | -              |
| Federal Financial Assistance                         | 401,301                     | 101,414        |
| Georgia Student Finance Commission                   | -                           | 579,386        |
| Georgia State Financing and Investment Commission    | 179,755                     | -              |
| Due from Affiliated Organizations                    | 39,239                      | -              |
| Due from other USG Institutions                      | 810,646                     | -              |
| Other  | 203,561                     | 16,356         |
|  | 5,863,634                   | 700,013        |
| Less Allowance for Doubtful Accounts                 | 2,440,322                   | -              |
| Net Accounts Receivable                              | \$ 3,423,312                | \$ 700,013     |

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**NOTE 4: CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2020:

|   | (Restated)<br>Balance<br>July 1, 2019 | Additions             | Reductions     | Balance<br>June 30, 2020 |
|---|---------------------------------------|-----------------------|----------------|--------------------------|
| Capital Assets, Not Being Depreciated:                  |                                       |                       |                |                          |
| Land  | \$ 10,523,189                         | \$ -                  | \$ -           | \$ 10,523,189            |
| Capital Assets, Being Depreciated:                      |                                       |                       |                |                          |
| Infrastructure  | 10,851,156                            | -                     | -              | 10,851,156               |
| Building and Building Improvements                      | 284,845,712                           | -                     | -              | 284,845,712              |
| Facilities and Other Improvements                       | 7,264,689                             | -                     | -              | 7,264,689                |
| Equipment   | 17,666,065                            | 909,754               | 337,619        | 18,238,200               |
| Library Collections                                     | 4,162,865                             | 13,424                | 33,172         | 4,143,117                |
| <b>Total Capital Assets Being Depreciated/Amortized</b> | <b>324,790,487</b>                    | <b>923,178</b>        | <b>370,791</b> | <b>325,342,874</b>       |
| Less: Accumulated Depreciation:                         |                                       |                       |                |                          |
| Infrastructure  | 8,096,515                             | 646,040               | -              | 8,742,555                |
| Building and Building Improvements                      | 93,104,418                            | 5,958,387             | -              | 99,062,805               |
| Facilities and Other Improvements                       | 5,737,369                             | 133,703               | -              | 5,871,072                |
| Equipment   | 15,251,193                            | 697,151               | 337,244        | 15,611,100               |
| Library Collections                                     | 3,889,812                             | 86,072                | 33,172         | 3,942,712                |
| <b>Total Accumulated Depreciation</b>                   | <b>126,079,307</b>                    | <b>7,521,353</b>      | <b>370,416</b> | <b>133,230,244</b>       |
| <b>Total Capital Assets, Being Depreciated, Net</b>     | <b>198,711,180</b>                    | <b>(6,598,175)</b>    | <b>375</b>     | <b>192,112,630</b>       |
| <b>Capital Assets, Net</b>                              | <b>\$ 209,234,369</b>                 | <b>\$ (6,598,175)</b> | <b>\$ 375</b>  | <b>\$ 202,635,819</b>    |

For projects managed by GSFIC, GSFIC retains construction-work-in-progress on its books throughout the construction period and transfers the entire project to the Institution when complete. For projects managed by the Institution, the Institution retains construction-work-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2020, GSFIC did not transfer any capital additions to the Institution related to GSFIC managed projects. However, at June 30, 2020, GSFIC had recorded construction-work-in-progress of approximately \$5,986,080 for incomplete GSFIC managed projects for the Institution.

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

| Fiscal Year | Depreciation<br>Expense |
|-------------|-------------------------|
| 2020        | \$ 7,521,353            |
| 2019        | \$ 7,435,228            |
| 2018        | \$ 7,692,671            |

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

Advances, including tuitions and fees consisted of the following at June 30, 2020:

|                          | Current Liabilities |
|--------------------------|---------------------|
| Prepaid Tuition and Fees | \$ 1,854,072        |
| Other - Advances         | 141,285             |
| Total Advances           | \$ 1,995,357        |

**NOTE 6: LONG-TERM LIABILITIES**

Changes in long-term liability for the year ended June 30, 2020 was as follows:

|                             | Balance<br>July 1, 2019 | Additions    | Reductions   | Balance<br>June 30, 2020 | Current<br>Portion |
|-----------------------------|-------------------------|--------------|--------------|--------------------------|--------------------|
| Leases                      |                         |              |              |                          |                    |
| Lease Obligations           | \$ 84,181,446           | \$ -         | \$ 2,691,902 | \$ 81,489,544            | \$ 2,921,584       |
| Other Liabilities           |                         |              |              |                          |                    |
| Compensated Absences        | 2,313,716               | 1,597,259    | 1,394,058    | 2,516,917                | 1,584,462          |
| Total Long-Term Obligations | \$ 86,495,162           | \$ 1,597,259 | \$ 4,085,960 | \$ 84,006,461            | \$ 4,506,046       |

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**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, 2020 and June 30, 2019 consisted of the following:

|  | <u>Fiscal Year<br/>2020</u> | <u>Fiscal Year<br/>2019</u> |
|--|-----------------------------|-----------------------------|
| Deferred Outflows of Resources                               |                             |                             |
| Deferred Loss on Defined Benefit Pension Plans (See Note 11) | \$ 13,340,692               | \$ 8,951,930                |
| Deferred Loss on OPEB Plan (See Note 14)                     | <u>4,801,414</u>            | <u>6,569,487</u>            |
| Total Deferred Outflows of Resources                         | <u>\$ 18,142,106</u>        | <u>\$ 15,521,106</u>        |
| Deferred Inflows of Resources                                |                             |                             |
| Deferred Gain on Debt Refunding                              | \$ 5,057,776                | \$ 5,366,742                |
| Unavailable Revenues   | -                           | 295,873                     |
| Deferred Gain on Defined Benefit Pension Plans (See Note 11) | 1,459,905                   | 2,084,521                   |
| Deferred Gain on OPEB Plan (See Note 14)                     | <u>9,570,937</u>            | <u>7,764,711</u>            |
| Total Deferred Inflows of Resources                          | <u>\$ 16,088,618</u>        | <u>\$ 15,511,847</u>        |

**NOTE 8: NET POSITION**

The breakdown of business-type activity net position for the Institution at June 30, 2020 is as follows:

|                                  |                       |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | \$ <u>116,088,499</u> |
| Restricted for                   |                       |
| Nonexpendable                    |                       |
| Permanent Endowment              | <u>32,329</u>         |
| Expendable                       |                       |
| Quasi-Endowments                 | <u>47,448</u>         |
| Unrestricted                     |                       |
| Auxillary Operations             | 6,274,306             |
| Reserve for Encumbrances         | 1,970,629             |
| Capital Liability Reserve Fund   | 715,528               |
| Other Unrestricted               | <u>(99,534,935)</u>   |
| Sub-Total                        | <u>(90,574,472)</u>   |
| Total Net Position               | <u>\$ 25,593,804</u>  |

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Changes in Net Position for the year ended June 30, 2020 are as follows:

|                                  | (Restated)<br>Balance<br>July 1, 2019 | Additions             | Reductions            | Balance<br>June 30, 2020 |
|----------------------------------|---------------------------------------|-----------------------|-----------------------|--------------------------|
| Net Investment in Capital Assets | \$ 119,686,181                        | \$ 3,615,080          | \$ 7,212,762          | \$ 116,088,499           |
| Restricted Net Position          | 76,566                                | 26,387,433            | 26,384,222            | 79,777                   |
| Unrestricted Net Position        | (85,998,878)                          | 80,432,507            | 85,008,101            | (90,574,472)             |
| Total Net Position               | <u>\$ 33,763,869</u>                  | <u>\$ 110,435,020</u> | <u>\$ 118,605,085</u> | <u>\$ 25,593,804</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 on endowment investments available for authorization for expenditure was \$1,908 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 3.0% and 6.0% of endowment principal market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Institution uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

For endowment funds where the donor has not provided specific instructions and the USG member institution has determined not to utilize the total return concept, investment return of the Institution's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

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 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 2020 were \$2,691,902 and \$3,629,485, respectively.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2020:

| Description                           | Gross Amount<br>(+) | Accumulated<br>Depreciation<br>(-) | Net Assets Held<br>Under Capital<br>Lease at<br>June 30, 2020<br>(=) | Outstanding<br>Balances<br>per Lease<br>Schedules at<br>June 30, 2020 |
|---------------------------------------|---------------------|------------------------------------|--|---|
| Equipment                             | \$ 2,411,000        | \$ 2,411,000                       | \$ -   | \$ -  |
| Buildings and Building Improvements   | 94,020,261          | 23,779,257                         | 70,241,004   | 81,489,544  |
| Facilities and Other Improvements     | 255,000             | 255,000                            | -  | -   |
| Total Assets Held Under Capital Lease | \$ 96,686,261       | \$ 26,445,257                      | \$ 70,241,004  | \$ 81,489,544   |

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

| Description                               | Lessor  | Original<br>Principal | Lease<br>Term | Begin<br>Month/Year | End<br>Month/Year | Outstanding<br>Principal |
|---|---|-----------------------|---------------|---------------------|-------------------|--------------------------|
| Anderson Hall/Gateway<br>Hall/Harris Hall | USG Real Estate<br>Foundation VII, LLC                          | \$ 21,500,750         | 17 years      | 6/2018              | 6/2035            | \$ 19,919,110 (1)        |
| Regents Hall                              | USG Real Estate<br>Foundation VII, LLC                          | 12,344,832            | 20 years      | 6/2018              | 6/2038            | 11,777,838 (1)           |
| Knight Hall                               | USG Real Estate<br>Foundation VII, LLC                          | 12,548,479            | 20 years      | 6/2018              | 6/2038            | 11,591,085 (1)           |
| Aviation Hall                             | USG Real Estate<br>Foundation VII, LLC                          | 7,036,195             | 20 years      | 6/2018              | 6/2038            | 6,526,202 (1)            |
| College Station                           | Macon State<br>College Foundation<br>Real Estate I, LLC         | 13,345,554            | 30 years      | 7/2011              | 6/2040            | 11,544,637 (1)           |
| Wellness Center                           | Middle Georgia<br>State College Real<br>Estate Foundation, Inc. | <u>22,940,947</u>     | 28 years      | 7/2014              | 6/2042            | <u>20,130,672</u> (1)    |
| Total Leases                              |   | <u>\$ 89,716,757</u>  |               |                     |                   | <u>\$ 81,489,544</u>     |

(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 facilities and office equipment. 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 2020 was \$174,297.

**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, 2020, are as follows:

|                              | Capital<br>Leases    | Operating<br>Leases |
|------------------------------|----------------------|---------------------|
| Year Ending June 30:         |                      |                     |
| 2021                         | \$ 6,427,554         | \$ 132,164          |
| 2022                         | 6,509,474            | 24,233              |
| 2023                         | 6,511,573            | 14,992              |
| 2024                         | 6,517,805            | -                   |
| 2025                         | 6,522,526            | -                   |
| 2026 - 2030                  | 32,701,086           | -                   |
| 2031 - 2035                  | 32,873,441           | -                   |
| 2036 - 2040                  | 18,919,467           | -                   |
| 2041 - 2045                  | 2,937,239            | -                   |
| Total Minimum Lease Payments | \$ 119,920,165       | \$ <u>171,389</u>   |
| Less: Interest               | <u>38,430,621</u>    |                     |
| Principal Outstanding        | \$ <u>81,489,544</u> |                     |

**NOTE 11: RETIREMENT PLANS**

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

**A. 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](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 contribute 6% of their annual pay during fiscal year 2020. The Institution's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of the Institution's annual payroll. The Institution's contributions to TRS totaled \$5,727,972 for the year ended June 30, 2020.

#### **General Information about the Employees' Retirement System**

##### Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [ers.ga.gov/financials](http://ers.ga.gov/financials).

##### Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members and 21.64% for GSEPS members. Institution's contributions to ERS totaled \$92,945 for the year ended June 30, 2020. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2020, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the Institution's TRS proportion was 0.21136%, which was an increase of 0.003061% from its proportion measured as of June 30, 2018. At June 30, 2019, the Institution's ERS proportion was 0.016890%, which was a decrease of 0.001242% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Institution recognized pension expense of \$7,506,656 for TRS and \$35,800 for ERS. At June 30, 2020, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | TRS                            |                               | ERS                            |                               |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience   | \$ 2,561,687                   | \$ 13,474                     | \$ 23,211                      | \$ -                          |
| Changes of assumptions   | 4,361,340                      | -                             | 12,267                         | -                             |
| Net difference between projected and actual earnings on pension plan investments                     | -                              | 1,082,258                     | -                              | 21,695                        |
| Changes in proportion and differences between contributions and proportionate share of contributions | 561,270                        | 273,755                       | -                              | 68,723                        |
| Contributions subsequent to the measurement date   | 5,727,972                      | -                             | 92,945                         | -                             |
| Total  | \$ 13,212,269                  | \$ 1,369,487                  | \$ 128,423                     | \$ 90,418                     |

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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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | TRS          | ERS         |
|---------------------|--------------|-------------|
| 2021                | \$ 2,570,579 | \$ (24,748) |
| 2022                | \$ 462,678   | \$ (28,794) |
| 2023                | \$ 1,485,706 | \$ (4,274)  |
| 2024                | \$ 1,595,847 | \$ 2,876    |

**Actuarial assumptions:** The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

***Teachers Retirement System:***

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.50%  |
| Salary increases                  | 3.00 – 8.75%, average, including inflation                         |
| Investment rate of return         | 7.25%, net of pension plan investment expense, including inflation |
| Post-retirement benefit increases | 1.50% semi-annually  |

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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the long-term assumed rate of return.

***Employees' Retirement System***

|                           |  |
|---------------------------|--|
| Inflation                 | 2.75%  |
| Salary increases          | 3.25 – 7.00%, including inflation                                  |
| Investment rate of return | 7.30%, net of pension plan investment expense, including inflation |

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The

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RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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

| Asset class                             | TRS<br>Target<br>allocation | ERS<br>Target<br>allocation | Long-term<br>expected real<br>rate of return* |
|---|-----------------------------|-----------------------------|---|
| Fixed income                            | 30.00%                      | 30.00%                      | (0.10)%                                       |
| Domestic large equities                 | 51.00%                      | 46.20%                      | 8.90%   |
| Domestic small equities                 | 1.50%                       | 1.30%                       | 13.20%  |
| International developed market equities | 12.40%                      | 12.40%                      | 8.90%   |
| International emerging market equities  | 5.10%                       | 5.10%                       | 10.90%  |
| Alternatives                            | -                           | 5.00                        | 12.00%  |
| Total                                   | 100.00%                     | 100.00%                     |   |

\* Rates shown are net of inflation

**Discount Rate:** The discount rate used to measure the total TRS and ERS pension liability was 7.25 % and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Institution's proportionate share of the net pension liability to changes in the discount rate:** The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate, 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%<br>Decrease<br>(6.25%) | Current<br>discount rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|--|---------------------------|-------------------------------------|---------------------------|
| Proportionate share of the net pension liability | \$ 73,775,593             | \$ 45,448,115                       | \$ 22,152,864             |

**Employees' Retirement System:**

|  | 1%<br>Decrease<br>(6.30%) | Current<br>discount rate<br>(7.30%) | 1%<br>Increase<br>(8.30%) |
|--|---------------------------|-------------------------------------|---------------------------|
| Proportionate share of the net pension liability | \$ 990,460                | \$ 696,971                          | \$ 446,777                |

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

**B. Defined Contribution Plan**

**Regents Retirement Plan**

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (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 \$1,150,030 (9.24%) and \$746,773 (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 2020, 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, 2020.

#### **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 2020, 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.

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SELECTED FINANCIAL NOTES  
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EXHIBIT "F"

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, 2020:

|  |              |
|--|--------------|
| Active Employees                             | 684          |
| Retirees or Beneficiaries Receiving Benefits | 265          |
| Retirees Receiving Life Insurance Only       | <u>67</u>    |
| Total  | <u>1,016</u> |

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 2020 plan year, the employer rate was approximately 84% of the total health insurance cost for eligible retirees and the retiree rate was approximately 16%. For employees hired on or after January 1, 2013 and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. 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 2020, the Institution contributed \$1,398,379 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, 2020, the Institution reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2019. An expected total OPEB liability as of June 30, 2019 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, 2019. At June 30, 2019, the Institution's proportion was 1.372136%, which was a decrease of 0.043955% from its proportion measured as of June 30, 2018.

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EXHIBIT "F"

For the year ended June 30, 2020, the Institution recognized OPEB expense of \$3,868,422. At June 30, 2020 the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
|  | <u>                    </u>          | <u>                    </u>         |
| Differences between expected and actual experience   | \$ 3,403,035                         | \$ 350,142                          |
| Changes of assumptions   | -                                    | 6,892,637                           |
| Net difference between projected and actual earnings on OPEB plan investments                        | -                                    | 16,118                              |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                                    | 2,312,040                           |
| Contributions subsequent to the measurement date   | <u>1,398,379</u>                     | <u>-</u>                            |
| Total  | <u>\$ 4,801,414</u>                  | <u>\$ 9,570,937</u>                 |

The Institution's contributions subsequent to the measurement date of \$1,398,379 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, 2021. 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:

|            |                |
|------------|----------------|
| 2021       | \$ (1,378,089) |
| 2022       | \$ (1,378,089) |
| 2023       | \$ (1,344,964) |
| 2024       | \$ (709,848)   |
| 2025       | \$ (681,383)   |
| Thereafter | \$ (675,529)   |

MIDDLE GEORGIA STATE UNIVERSITY  
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 JUNE 30, 2020

EXHIBIT "F"

Actuarial assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of May 1, 2019 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 6/30/2019 3.50% from Bond Buyer GO 20 - Bond Municipal Bond Index<br>Interest Rate as of 6/30/2018 3.87% from Bond Buyer GO 20 - Bond Municipal Bond Index<br>Long-term Rate of Return 4.5%<br>General Inflation 2.50%<br>Salary Growth 4.00%  |
| Mortality Rates                        | Healthy: Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with Scale MP-2018<br><br>Disabled: Pub-2010 Disabled Mortality for General Employees and Teachers (as appropriate) headcount weighted projected with Scale MP-2018   |
| Initial Healthcare Cost Trend          |  |
| Pre-Medicare Eligible                  | 6.9%   |
| Medicare Eligible                      | 4.5%   |
| Ultimate Trend Rate                    |  |
| Pre-Medicare Eligible                  | 4.5%   |
| Medicare Eligible                      | 4.5%   |
| Year Ultimate Trend is Reached         | Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020   |
| Experience Study                       | Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014. |

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to reflect current estimates of the impact of the Excise Tax, due to the updated claims assumption. Mortality rates were changed from the RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 to Pub-2010 for General Employers and Teachers (as appropriate) headcount weighted projected with MP-2018. Retirement rates were updated from the

MIDDLE GEORGIA STATE UNIVERSITY  
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EXHIBIT "F"

rates developed for the Teachers Retirement System to rates based on actual experience. The discount rate was updated from 3.87% to 3.50% as of June 30, 2019.

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

| Asset Class       | Long-term<br>Expected Real<br>Rate of Return,<br>Net of Inflation | Target Allocation |
|-------------------|---|-------------------|
| Fixed Income      | 1.09%   | 70%               |
| Equity Allocation | 4.46%   | 30%               |

Discount rate

The Plan's projected fiduciary net position at the end of 2023 is \$0, based on the valuation completed for the fiscal year ending June 30, 2019. 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 2023. 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, 2019. 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 3.50% from the Bond Buyers GO 20-Bond Municipal Bond Index.

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 (2.50%) or 1% (4.50%) higher than the current discount rate (3.50%):

|   | 1% Decrease<br>2.50% | Current Rate<br>3.50% | 1% Increase<br>4.50% |
|---|----------------------|-----------------------|----------------------|
| Proportionate Share of the Net OPEB Liability | \$ 72,628,259        | \$ 61,355,994         | \$ 51,958,629        |

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 SELECTED FINANCIAL NOTES  
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EXHIBIT "F"

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:

|   | <u>1% Decrease</u>      | <u>Current Rate</u>     | <u>1% Increase</u>       |
|---|-------------------------|-------------------------|--------------------------|
| Proportionate Share of the Net OPEB Liability | \$ 51,447,752           | \$ 61,355,994           | \$ 73,770,262            |
| Pre-Medicare Eligible                         | 5.9% decreasing to 3.5% | 6.9% decreasing to 4.5% | 7.93% 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



MIDDLE GEORGIA STATE UNIVERSITY  
 BALANCE SHEET (STATUTORY BASIS)  
 BUDGET FUND  
 JUNE 30, 2020

SCHEDULE "1"

ASSETS

|                              |    |              |
|------------------------------|----|--------------|
| Cash and Cash Equivalents    | \$ | 3,478,404.20 |
| Investments                  |    | 672,804.91   |
| Accounts Receivable          |    |              |
| Federal Financial Assistance |    | 401,300.55   |
| Other                        |    | 4,943,302.26 |
| Prepaid Expenditures         |    | 147,540.28   |
| Other Assets                 |    | 95,118.43    |

Total Assets \$ 9,738,470.63

LIABILITIES AND FUND EQUITY

|                       |    |              |
|-----------------------|----|--------------|
| Liabilities           |    |              |
| Accrued Payroll       | \$ | 429,510.66   |
| Encumbrances Payable  |    | 1,684,344.46 |
| Accounts Payable      |    | 2,073,873.57 |
| Unearned Revenue      |    | 1,881,509.61 |
| Funds Held for Others |    | 47,492.31    |

Total Liabilities 6,116,730.61

|                                   |  |              |
|-----------------------------------|--|--------------|
| Fund Balances                     |  |              |
| Reserved                          |  |              |
| Department Sales and Services     |  | 235,654.93   |
| Indirect Cost Recoveries          |  | 178,904.74   |
| Technology Fees                   |  | 253,877.78   |
| Restricted/Sponsored Funds        |  | 663,329.48   |
| Tuition Carry-Over                |  | 711,308.49   |
| Uncollectible Accounts Receivable |  | 1,454,531.38 |

|            |  |            |
|------------|--|------------|
| Unreserved |  |            |
| Surplus    |  | 124,133.22 |

Total Fund Balances 3,621,740.02

Total Liabilities and Fund Balances \$ 9,738,470.63

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.

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE  
(STATUTORY BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2020

|                                  | Original<br>Appropriation | Final<br>Budget          | Current Year<br>Revenues | Prior Year Reserve<br>Carry-Over |
|----------------------------------|---------------------------|--------------------------|--------------------------|----------------------------------|
| <b>Teaching</b>                  |                           |                          |                          |                                  |
| State Appropriation              |                           |                          |                          |                                  |
| State General Funds              | \$ 36,939,972.00          | \$ 36,905,041.00         | \$ 36,905,041.00         | \$ -                             |
| Federal Coronavirus Relief Funds | -                         | 6,278,727.00             | 6,035,393.00             | -                                |
| Other Funds                      | <u>51,965,803.00</u>      | <u>57,075,526.00</u>     | <u>57,681,002.15</u>     | <u>1,845,735.11</u>              |
| <br>                             |                           |                          |                          |                                  |
| Total Operating Activity         | <u>\$ 88,905,775.00</u>   | <u>\$ 100,259,294.00</u> | <u>\$ 100,621,436.15</u> | <u>\$ 1,845,735.11</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<br>of Funds Available<br>Over<br>Expenditures |
|-------------------------------------|--------------------------|---------------------------------|---------------------------------|----------------------|--|
| Program Transfers<br>or Adjustments | Total<br>Funds Available | Variance<br>Positive (Negative) | Actual                          | Variance<br>Positive |  |
| \$ -                                | \$ 36,905,041.00         | \$ -                            | \$ 36,878,242.89                | \$ 26,798.11         | \$ 26,798.11   |
| -                                   | 6,035,393.00             | (243,334.00)                    | 6,035,393.00                    | 243,334.00           | -  |
| -                                   | 59,526,737.26            | 2,451,211.26                    | 56,789,716.89                   | 285,809.11           | 2,737,020.37   |
| <u>\$ -</u>                         | <u>\$ 102,467,171.26</u> | <u>\$ 2,207,877.26</u>          | <u>\$ 99,703,352.78</u>         | <u>\$ 555,941.22</u> | <u>\$ 2,763,818.48</u>                               |

MIDDLE GEORGIA STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
(STATUTORY BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2020

|                                   | Beginning Fund<br>Balance<br>July 1 | Fund Balance<br>Carried Over from<br>Prior Year<br>as Funds Available | Return of<br>Fiscal Year 2019<br>Surplus | Prior Period<br>Adjustments |
|-----------------------------------|-------------------------------------|---|--|-----------------------------|
| <b>Teaching</b>                   |                                     |   |  |                             |
| State Appropriation               |                                     |   |  |                             |
| State General Funds               | \$ 2,575.24                         | \$ -  | \$ (2,575.24)                            | \$ 1,413.38                 |
| Federal Coronavirus Relief Funds  | -                                   | -   | -  | -                           |
| Other Funds                       | <u>1,846,195.01</u>                 | <u>(1,845,735.11)</u>   | <u>(459.90)</u>                          | <u>(1,618.50)</u>           |
| Total Teaching                    | 1,848,770.25                        | (1,845,735.11)  | (3,035.14)                               | (205.12)                    |
| <b>Prior Year Reserves</b>        |                                     |   |  |                             |
| Not Available for Expenditure     |                                     |   |  |                             |
| Uncollectible Accounts Receivable | <u>858,126.66</u>                   | <u>-</u>  | <u>-</u>                                 | <u>-</u>                    |
| <br>Budget Unit Totals            | <br><u>\$ 2,706,896.91</u>          | <br><u>\$ (1,845,735.11)</u>  | <br><u>\$ (3,035.14)</u>                 | <br><u>\$ (205.12)</u>      |

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

| Other<br>Adjustments | Early Return<br>Fiscal Year 2020<br>Surplus | Excess<br>of Funds Available<br>Over<br>Expenditures | Ending Fund<br>Balance<br>June 30 | Analysis of Ending Fund Balance |                      |                        |
|----------------------|---|--|-----------------------------------|---------------------------------|----------------------|------------------------|
|                      |   |  |                                   | Reserved                        | Surplus              | Total                  |
| \$ -                 | \$ -  | \$ 26,798.11   | \$ 28,211.49                      | \$ -                            | \$ 28,211.49         | \$ 28,211.49           |
| -                    | -   | -  | -                                 | -                               | -                    | -                      |
| <u>(596,404.72)</u>  | <u>-</u>                                    | <u>2,737,020.37</u>                                  | <u>2,138,997.15</u>               | <u>2,043,075.42</u>             | <u>95,921.73</u>     | <u>2,138,997.15</u>    |
| (596,404.72)         | -   | 2,763,818.48   | 2,167,208.64                      | 2,043,075.42                    | 124,133.22           | 2,167,208.64           |
| <u>596,404.72</u>    | <u>-</u>                                    | <u>-</u>   | <u>1,454,531.38</u>               | <u>1,454,531.38</u>             | <u>-</u>             | <u>1,454,531.38</u>    |
| <u>\$ -</u>          | <u>\$ -</u>                                 | <u>\$ 2,763,818.48</u>                               | <u>\$ 3,621,740.02</u>            | <u>\$ 3,497,606.80</u>          | <u>\$ 124,133.22</u> | <u>\$ 3,621,740.02</u> |

|                                   |               |                   |                   |
|-----------------------------------|---------------|-------------------|-------------------|
| Department Sales and Services     | \$ 235,654.93 | \$ -              | \$ 235,654.93     |
| Indirect Cost Recoveries          | 178,904.74    | -                 | 178,904.74        |
| Technology Fees                   | 253,877.78    | -                 | 253,877.78        |
| Restricted/Sponsored Funds        | 663,329.48    | -                 | 663,329.48        |
| Tuition Carry-Over                | 711,308.49    | -                 | 711,308.49        |
| Uncollectible Accounts Receivable | 1,454,531.38  | -                 | 1,454,531.38      |
| Surplus                           |               | <u>124,133.22</u> | <u>124,133.22</u> |

Total Ending Fund Balance - June 30      \$ 3,497,606.80    \$ 124,133.22    \$ 3,621,740.02

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

MIDDLE GEORGIA STATE UNIVERSITY  
ENTITY'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020

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



MIDDLE GEORGIA STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2020

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

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

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

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

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

**Private Purpose Venture Not Self-Liquidating**

Observation:

For fiscal year ended June 30, 2020, an analysis of the financial statement activity for the Institution's Student Housing public private venture projects, as well as the Recreation Center public private venture, revealed that one of the projects' required capital lease payments and other operating costs exceeded yearly revenues by \$458,806.85. The Institution has reserves of \$715,528 to cover this operating deficit.

Recommendation:

Management should closely monitor project activity to ensure that revenues are sufficient to service capital lease debt as well as all other associated project costs. Also, management should continue to maintain adequate reserves for the project to protect against potential economic downturns.

Views of Responsible Officials:

The Institution has sufficient reserves to cover the reported operating deficit and continually monitors related activity to ensure that the reserves remain adequate.