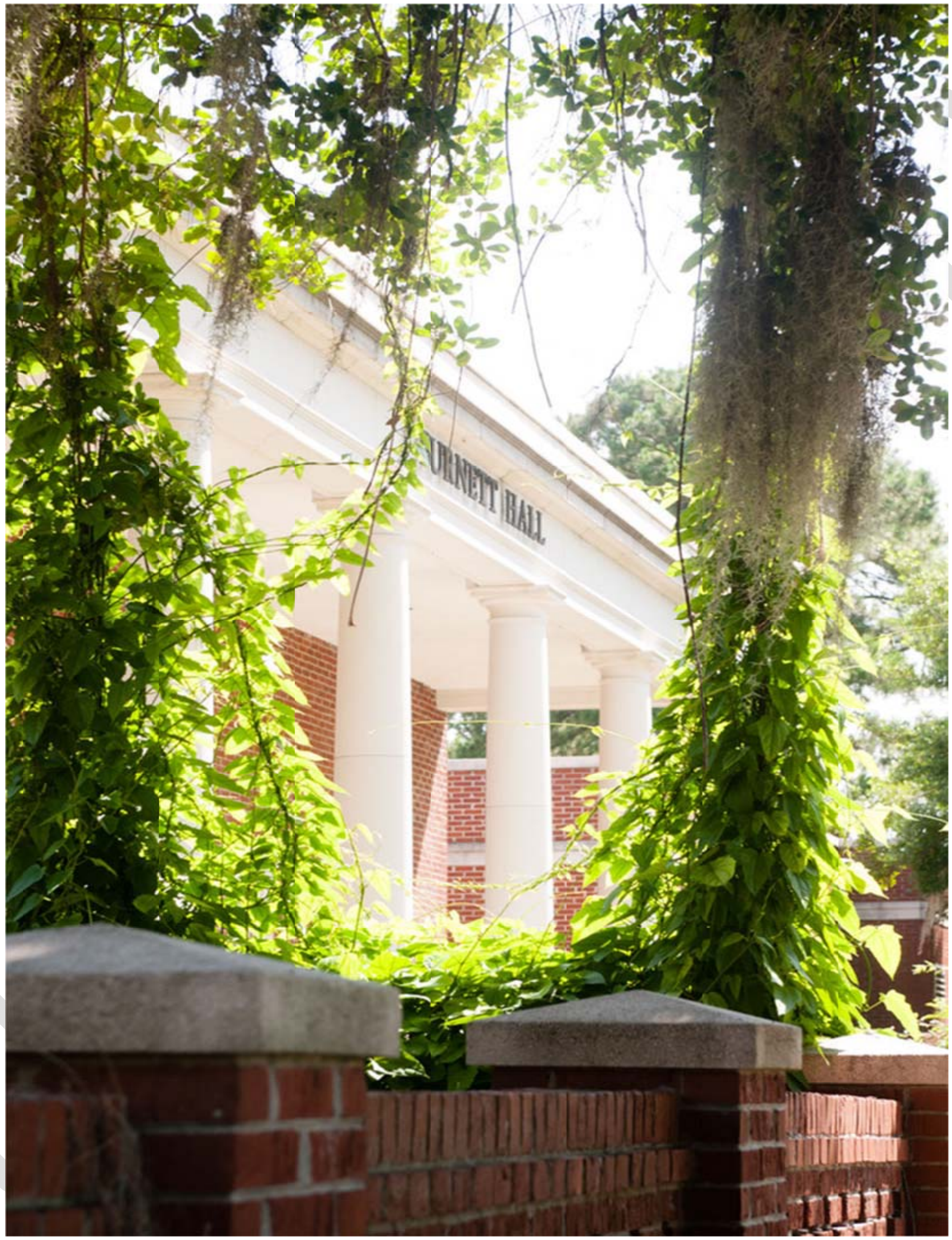
ARMSTRONG STATE UNIVERSITY
Annual Financial Report
Fiscal Year Ended June 30, 2016



Savannah, Georgia

ARMSTRONG STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016

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Letter of Transmittal

August 9, 2016

To President Linda M. Bleicken, Armstrong State University,

The Annual Financial Report (AFR) for Armstrong State University (Institution) includes the financial statements for the year ended June 30, 2016, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2016.

Armstrong State University's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institute's financial position, revenues, expenses and other changes in net position.

The Institution's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. Armstrong State University's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the Institution's management. The audit of the Institution's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Respectfully submitted,

Christopher N. Corrigan
Vice-President of Business & Finance, and CBO

C. Cameron Reagin
Assistant Vice President of Finance

Introduction

Armstrong State University is one of the 29 institutions of higher education of the University System of Georgia. The University, located in Savannah, Georgia, is within twenty-five miles of some of Georgia's most beautiful coastlines. Since its founding over 75 years ago by the city of Savannah, Armstrong has become a vibrant 250-acre urban campus of 7,000 students serving a wider community of 340,000 residents. The university operates the Liberty Center in Hinesville, which brings higher education to residents of Liberty County and surrounding areas, and also provides special services to Fort Stewart military and military families. Founded in 1935 as Armstrong Junior College, the institution became a two year unit of the University System of Georgia in 1959 and a four-year college in 1966. It became Armstrong Atlantic State University in 1996. The university has become known for its state-of-the-art technology-related programs, health professions and education programs. The student body is 32.6-67.4% male/female and a mix of 34-66% non-traditional/traditional students. The average age for undergraduate students is 24.4. The average age for graduate students is 31.5.

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2016	468	7,103	6,234
Fiscal Year 2015	444	7,094	6,259
Fiscal Year 2014	421	7,439	6,512

Overview of the Financial Statements and Financial Analysis

Armstrong State University (Institution) is pleased to present its financial statements for fiscal year 2016. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institution's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2016 and fiscal year 2015.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution and how much the Institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution.

The next category is the net investment in capital assets. It provides the Institution's equity in property, plant and equipment owned by the Institution.

The next category is restricted, which is divided into two categories, non-expendable and expendable. *The corpus of non-expendable, restricted re*sources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the Institution for any lawful purpose.

Statement of Net Position, Condensed

	June 30, 2016	June 30, 2015
Assets:		
Current Assets	$ 24,960,691	$ 24,066,238
Capital Assets, Net	109,351,838	108,303,935
Other Assets	3,465,083	3,468,077
Total Assets	137,777,612	135,838,250
Deferred Outflows of Resources	2,842,014	2,804,035
Liabilities:		
Current Liabilities	8,349,678	8,913,190
Non-Current Liabilities	62,774,414	62,507,144
Total Liabilities	71,124,092	71,420,334
Deferred Inflows of Resources	5,508,207	6,989,336
Net Position:		
Net Investment in Capital Assets	66,920,129	65,673,442
Restricted		
Permanent Trust		
Nonexpendable	2,936,644	2,936,644
Expendable	355,106	346,904
Unrestricted	(6,224,552)	(8,724,375)
Total Net Position	$ 63,987,327	$ 60,232,615

Total assets and deferred outflows of resources increased by
$1,977,341
which was primarily due to an increase of
$1,111,135
in the category of Cash and Cash Equivalents. The balance of the increase is mainly in Capital Assets, Net.

Total liabilities and deferred inflows of resources decreased for the year by
($1,777,371)
. The combination of the increase in total assets and deferred outflows of resources and the decrease in total liabilities and deferred inflows of resources yielded an increase in net position of
$3,754,712
. The increase in net position is primarily in the category of Unrestricted Net Position, in the amount of
$2,499,823
.

These changes resulted primarily from savings which resulted from the refinancing of capital leases on the Armstrong Center and the Student Recreation Center during the year.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institution, both operating and non-operating, and the expenses paid by the Institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position, Condensed

	June 30, 2016	June 30, 2015
Operating Revenues	$ 53,514,981	$ 52,404,218
Operating Expenses	94,902,062	96,227,054
Operating Loss	(41,387,081)	(43,822,836)
Nonoperating Revenues and Expenses	41,675,272	38,855,873
Income (Loss) Before other Revenues, Expenses, Gains or Losses	288,191	(4,966,963)
Other Revenues, Expenses, Gains or Losses	3,466,521	8,754,616
Increase/(Decrease) in Net Position	3,754,712	3,787,653
Net Position at Beginning of Year, as originally reported	60,232,615	81,483,555
Prior Year Adjustments	-	(25,038,593)
Net Position at Beginning of Year, Restated	60,232,615	56,444,962
Net Position at End of Year	$ 63,987,327	$ 60,232,615

Net position increased by $3,754,712 during Fiscal 2016.

The Statement of Revenues, Expenses and Changes in Net Position reflect a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenue by Source
For the Years Ended June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015
Operating Revenues		
Tuition and Fees	$ 35,897,629	$ 32,001,674
Federal Appropriations	-	-
Grants and Contracts	3,155,745	2,957,163
Sales and Services	164,557	183,092
Auxiliary	13,645,607	17,150,779
Other	651,443	111,510
Total Operating Revenues	53,514,981	52,404,218
Nonoperating Revenues		
State Appropriations	29,919,942	29,622,688
Grants and Contracts	12,706,099	13,063,422
Gifts	801,532	406,205
Investment Income	103,072	79,792
Other	(32,087)	-
Total Nonoperating Revenues	43,498,558	43,172,107
Capital Gifts and Grants		
State	3,466,521	2,551,575
Other Capital Gifts and Grants	-	658,099
Total Capital Gifts and Grants	3,466,521	3,209,674
Additions to Permanent Endowments	-	-
Total Permanent Endowments	-	-
Special Item		
Capital Asset Transfer	-	5,544,942
Total Special Item	-	5,544,942
Total Revenues	$ 100,480,060	$ 104,330,941

Expenses (By Functional Classification)
For the Years Ended June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015
Operating Expenses		
Instruction	$ 32,969,071	$ 32,964,142
Research	80,410	36,754
Public Service	148,365	218,844
Academic Support	8,379,055	7,950,219
Student Services	6,537,527	6,154,562
Institutional Support	13,911,444	14,059,191
Plant Operations and Maintenance	11,934,176	12,327,692
Scholarships and Fellowships	9,347,692	7,428,564
Auxiliary Enterprises	11,594,322	15,087,086
Total Operating Expenses	94,902,062	96,227,054
Nonoperating Expenses		
Interest Expense (Capital Assets)	1,823,286	4,316,234
Total Nonoperating Expenses	1,823,286	4,316,234
Total Expenses	$ 96,725,348	$ 100,543,288

Operating revenues increased by $1,110,763 in fiscal year 2016. Although Tuition and Fees (net) included an 12% increase, revenues decreased in Auxiliary Enterprises – Residence Halls.

The Auxiliary revenue decrease of ($3,505,172) is a result of the change in ownership and operation of three residence halls on the University's campus. During fiscal 2015, Armstrong State University was one of nine USG institutions involved in the P3 initiative (Pubic, Private, Partnership), in which the ownership of three of Armstrong State University's housing properties was transferred to the Board of Regents of the University System of Georgia (BOR) and the debt held by the Armstrong State University Education Properties Foundation (EPFI) was assumed by a third party, Corvias Campus Living (Corvias) The BOR entered into an operating lease with Corvias for the operation of residence halls on the participating campuses. Armstrong transferred three residence halls – Compass Point, University Crossing, and Windward Commons to the BOR in return for the cancellation of the existing capital lease liabilities on these properties and the defeasement of the underlying bond debt held by EPFI. Under the P3 agreement, all revenues associated with the operation of these three halls are collected on behalf of Corvias Campus Housing and is receipted into an Agency account, rather than being recognized as revenue by the University.

Net Nonoperating revenues increased by
$2,819,399
for the year primarily due to a decrease of
$2,492,948
in Interest Expense which resulted from the P3 refunding of debt associated with the residence halls transferred to the Board and from the refinancing of the debt associated with the Armstrong Center and the Student Recreation Center.

The compensation and employee benefits category increased by $1,390,990 and primarily affected the Instruction, Institutional Support and Student Services categories. The increase reflects the addition of 24 faculty members, merit increases and an increased cost of health insurance for the employees of the Institution.

Utilities decreased ($776,976) during the past year. The decrease was primarily associated with utility and cable/internet costs outsourced to Corvias for operation of the P3 residence halls.

Overall, the University ended the year in a positive position, as a result of a continued conservative fiscal approach. The change in operation of the University's residence halls is still being monitored for its long term impact. For fiscal 2016 the payments received for Ground Rent and Retained Services were sufficient to generate an increase in net position, but well below prior levels.

Statement of Cash Flows

The final statement presented by the Armstrong State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institution during the year. Cash flow information can be used to evaluate the financial viability of the Institution's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2016 and 2015, Condensed

	June 30, 2016	June 30, 2015
Cash Provided (used) By:		
Operating Activities	$ (36,955,865)	$ (36,372,004)
Non-capital Financing Activities	43,144,789	43,528,346
Capital and Related Financing Activities	(5,183,853)	(8,462,021)
Investing Activities	106,189	67,012
Net Change in Cash	1,111,260	(1,238,667)
Cash, Beginning of Year	19,260,270	20,498,937
Cash, End of Year	$ 20,371,530	$ 19,260,270

Capital Assets

The University had two significant capital asset additions for buildings in fiscal year 2016. The Learning Commons renovation was completed early in fiscal 2016. The $6.5 million project was funded with $6.1 million from the Georgia State Financing and Investment Commission (GSFIC) and $400,000 from the University.

Armstrong State University completed construction of a new facility for the Liberty Center campus in fiscal year 2016. The $5.4 million project was funded with $4.5 million from the GSFIC, with the remaining $900,000 funded by the University. Other renovations funded by the GSFIC included $694,931 for buildings. Projected funding by GSFIC for fiscal year 2016 will be lower than fiscal 2016 now that these two major projects have been completed and funding for the new Health Sciences building has been delayed.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long Term Liabilities

Armstrong State University had Long-Term Liabilities of $64,949,954 of which $2,175,540 was reflected as current liability at June 30, 2016.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Armstrong State University
Financial Statements

ARMSTRONG STATE UNIVERSTY

Statements of Net Position

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	20,215,819
Accounts Receivable, net		
Receivables - Federal Financial Assistance		897,897
Receivables - Student Tuition and Fees, net		1,458,909
Georgia State Financing & Investment Commission		843,469
Receivables - Other		706,496
Due From Affiliated Organizations		69,719
Prepaid Items		768,382
Total Current Assets		24,960,691
Non-Current Assets		
Non-current Cash (Externally Restricted)		155,711
Investments (Externally Restricted)		2,816,601
Due From USO - Capital Liability Reserve Fund		220,862
Investments		271,909
Capital Assets, net		109,351,838
Total Non-Current Assets	$	112,816,921
TOTAL ASSETS	$	137,777,612
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Defined Benefit Pension Plan		2,842,014
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	2,842,014

The accompanying notes are an integral part of these financial statements.

ARMSTRONG STATE UNIVERSTY

Statements of Net Position (Continued)

LIABILITIES		
Current Liabilities		
Accounts Payable		582,502
Salaries Payable		177,226
Benefits Payable		166,694
Contracts Payable		204,166
Retainage Payable		151,590
Deposits		62,637
Advances (Including Tuition and Fees)		3,541,601
Other Liabilities		66,500
Deposits Held for Other Organizations		1,221,222
Lease Purchase Obligations		819,796
Compensated Absences		1,355,744
Total Current Liabilities	$	8,349,678
Non-Current Liabilities		
Lease Purchase Obligations		38,118,235
Compensated Absences		581,033
Net Pension Liability		24,075,146
Total Non-Current Liabilities	$	62,774,414
TOTAL LIABILITIES	$	71,124,092
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Debt Refunding		3,137,922
Deferred Gain on Defined Benefit Pension Plan		2,370,285
Deferred Grants Received in Advance of Timing		
TOTAL DEFERRED INFLOWS OF RESOURCES	$	5,508,207
NET POSITION		
Net Investment in Capital Assets		66,920,129
Restricted for		
Permanent Trusts		
Nonexpendable		2,936,644
Expendable		355,106
Deficit		(6,224,552)
TOTAL NET POSITION	$	63,987,327

The accompanying notes are an integral part of these financial statements.

ARMSTRONG STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net

REVENUES		
Operating Revenues		
Student Tuition and Fees (net)	$	35,897,629
Federal Appropriations		
Grants and Contracts		
Federal		1,372,606
State		78,418
Other		1,704,721
Sales and Services		164,557
Rents and Royalties		25
Auxiliary Enterprises		
Residence Halls		3,651,986
Bookstore		252,715
Food Services		3,589,720
Parking/Transportation		473,576
Health Services		283,128
Intercollegiate Athletics		2,793,805
Other Organizations		2,600,677
Other Operating Revenues		651,418
Total Operating Revenues		53,514,981
EXPENSES		
Operating Expenses		
Salaries:		
Faculty	$	20,803,103
Staff		20,907,255
Employee Benefits		12,042,288
Other Personal Services		313,888
Travel		806,756
Scholarships and Fellowships		10,979,260
Utilities		2,678,063
Supplies and Other Services		21,354,359
Depreciation		5,017,090
Total Operating Expenses		94,902,062
Operating Income (loss)		(41,387,081)

The accompanying notes are an integral part of these financial statements.

ARMSTRONG STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net (Continued)

NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$	29,919,942
Grants and Contracts		
Federal		12,706,099
State		
Other		
Gifts		801,532
Investment Income (endowments, auxiliary and other)		103,072
Interest Expense (capital assets)		(1,823,286)
Other Nonoperating Revenues (Expenses)		(32,087)
Net Nonoperating Revenues		41,675,272
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		288,191
Capital Grants and Gifts		
Federal		
State		3,466,521
Other		
Additions to permanent endowments		
Special Item		
Total Other Revenues, Expenses, Gains or Losses, and Special Item		3,466,521
Increase (Decrease) in Net Position		3,754,712
NET POSITION		
Net Position-Beginning of Year, As Originally Reported		60,232,615
Prior Year Adjustments		
Net Position-Beginning of Year, Restated		60,232,615
Net Position-End of Year	$	63,987,327

The accompanying notes are an integral part of these financial statements.

ARMSTRONG ATLANTIC STATE UNIVERSITY

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 50,115,846
Federal Appropriations	
Grants and Contracts (Exchange)	3,724,545
Payments to Suppliers	(37,443,798)
Payments to Employees	(42,373,198)
Payments for Scholarships and Fellowships	(10,979,260)
Net Cash Provided (Used) by Operating Activities	(36,955,865)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	$ 29,919,942
Agency Funds Transactions	(165,271)
Gifts and Grants Received for Other Than Capital Purposes	13,390,118
Net Cash Flows Provided by Non-capital Financing Activities	43,144,789
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	$ 3,869,192
Proceeds from Sale of Capital Assets	6,750
Purchases of Capital Assets	(6,681,969)
Principal Paid on Capital Debt and Leases	(376,978)
Interest Paid on Capital Debt and Leases	(2,000,848)
Net Cash used by Capital and Related Financing Activities	(5,183,853)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	$ 43,477
Investment Income	62,712
Net Cash Provided (used) by Investing Activities	106,189
Net Increase/Decrease in Cash	1,111,260
Cash and Cash Equivalents - Beginning of year	19,260,270
Cash and Cash Equivalents - End of Year	$ 20,371,530

The accompanying notes are an integral part of these financial statements.

ARMSTRONG ATLANTIC STATE UNIVERSITY

Statement of Cash Flows (Continued)

RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (loss)	$ (41,387,081)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	5,017,090
Change in Assets and Liabilities:	
Receivables, net	374,706
Prepaid Items	(433,059)
Notes Receivable, Net	
Accounts Payable	106,823
Salaries Payable	56,060
Deposits	496
Advances (Including Tuition & Fees)	(41,296)
Other Liabilities	(60,685)
Funds Held for Others	
Compensated Absences	154,038
Net Pension Liability	3,330,910
Change in Deferred inflows/outflows of resources:	
Deferred Inflows of Resources	(4,751,227)
Deferred Outflows of Resources	677,360
Net Cash Provided (used) by Operating Activities	$ (36,955,865)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows (Continued)

** NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

Non-capital Financing Activities Accounts Receivable, Net of Allowances	$	117,513
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	$	3,292,319
Loss on Disposal of Capital Assets	$	(38,837)
Accrual of Capital Asset Related Payables	$	(355,755)
Gain/Loss on Capital Debt Refunded	$	(3,315,484)
Amortization of Deferred Gain/Loss of Capital Debt Refunded	$	177,562
Unrealized Gain/Loss on Investments	$	40,360

The accompanying notes are an integral part of these financial statements

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

Armstrong 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 and throughout the country.

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. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Legally separate, tax exempt affiliated organizations whose activities primarily support units of the USG are considered potential component units of the State. See Note 20 for additional information.

Basis of Accounting and Financial Statement Presentation

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

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

New Accounting Pronouncements

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

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

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

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

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

Short-Term Investments

Short-Term Investments consist of investments of 90 days – 13 months, which includes certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The Institution accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Legal Fund and the Board of Regents Diversified Fund are included as Investments.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institution's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Non-current Cash and Investments

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Position.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Institution's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed $100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the Institution, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the Institution. GSFIC issues bonds for and on behalf of the State, pursuant to powers granted to it in the Constitution of the State and the Act creating the GSFIC. These bonds constitute direct and general obligations of the State, to the payment of which the full faith, credit and taxing power of the State are pledged.

Due From USO - Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the University System Office. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the USG has rental obligations under the PPV program. At the conclusion of the Institution's participation in the program, funds will be returned to the Institution. The balance included on the Institution's Statement of Net Position represents the Institution's contribution to the Fund. Armstrong State University's contribution to the fund as of June 30, 2016 was $220,862.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net assets by the Institution that are applicable to a future reporting period.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the Institution acting as an agent, or fiduciary, for another entity. Deposits held for others consist of scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net assets by the Institution that are applicable to a future reporting period.

Pensions and Net Pension Liability

The net pension liability represents the unfunded pension obligation which is the difference between the total pension obligation as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

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

Net Position

The Institution's net position is classified as follows:

Net Investment in Capital Assets: This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

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

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

Unrestricted: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $6,068.40. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

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

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.

See Note 10, Net Position, for additional information.

Income Taxes

The Institution, as a political subdivision of the State, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University in the course of its normal operations engages in activities which may generate revenues subject to the tax on unrelated business income (UBIT). The University files an annual IRS Form 990-T Exempt Organization Business Income Tax Return in order to comply with federal tax regulations.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classify fiscal year activity as operating and non-operating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

- *Non-operating* revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

- Operating Expenses: Operating expense includes activities that have the characteristics of exchange transactions.

- Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $11,808,490.

Note 2. Deposits and Investments

Deposits

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

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.
   The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2016, the carrying value of deposits was $10,271,948 and the bank balance was $11,884,144 . Of the Institution's deposits, $11,884,144 were uninsured. Of these uninsured deposits, $11,884,144 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name $0 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the Institution's name and $0 were uncollateralized.

The following schedule reconciles cash and cash equivalents to the carrying value of deposits:

Reconciliation of Cash and Cash Equivalents Balances to Carrying Value of Deposits:

Business-type Activities		
Statement of Net Position		
Cash and Cash Equivalents		20,215,819
Non-Current Cash and Cash Equivalents		155,711
Total Cash and Cash Equivalents		20,371,530
Less:		
Cash on Hand		(8,400)
Investment pool reported as Cash and Cash Equivalents		
Board of Regents Short-Term Fund		(10,091,182)
Total Carrying Value of Deposits - June 30, 2016	$	10,271,948

Investments

At June 30, 2016, the carrying value of the Institution's investments was
$ 13,179,692
which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents investment pools as follows:

Investment Pools		
Board of Regents		
Short-Term Fund	$	10,091,182
Legal Fund		257,409
Diversified Fund		2,831,101
Total Investment Pools	$	13,179,692

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits and Accounts – Education Audit Division or on their web site at http://www.audits.ga.gov.

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 USG's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds:

1. In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years.

2. In all the other pooled funds, the average maturity of the fixed income portfolio shall not exceed ten years.

3. Fixed income investments, except in the Diversified Fund, shall be limited to the U.S. government agency and corporate debt instruments that meet investment eligibility under Georgia Code 50-17-63.

4. The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund investment manager and approval by the Board of Regents.

The Effective Duration of the Short Term Fund is 0.47 years. Of the Institution's total investment of $10,091,182.39 in the Short Term Fund, $10,091,182.39 is invested in debt securities.

The Effective Duration of the Legal Fund is 3.93 years. Of the Institution's total investment of $257,409.35 in the Legal Fund, $257,409.35 is invested in debt securities.

The Effective Duration of the Diversified Fund is 4.64 years. Of the Institution's total investment of $2,831,101.42 in the Diversified Fund, $990,885.50 is invested in debt securities.

Note 3. Accounts Receivable

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

	June 30, 2016 Business Type Activities
Student Tuition and Fees	$ 1,315,757
Auxiliary Enterprises and Other Operating Activities	895,812
Federal Financial Assistance	897,897
Georgia State Financing and Investment Commission	843,469
Due from Affiliated Organizations	69,719
Due from Other USG Institutions	220,862
Other	706,496
	4,950,012
Less: Allowance for Doubtful Accounts	752,660
Net Accounts Receivable	$ 4,197,352

Note 4. Inventories

Armstrong State University held no Inventories at June 30, 2016.

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2016. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institution for amounts cancelled under these provisions. As the Institution determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The Institution has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2016, the allowance for uncollectible loans was $0. During fiscal year 2015, the University assigned all remaining Perkins Loan accounts to the U.S. Department of Education.

Note 6. Capital Assets

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

	Beginning Balances July 1, 2015	Capital Leases Recategorization	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated:					
Land	$ 5,318,254				$ 5,318,254
Construction Work-in-Progress	10,553,517		6,162,515	13,253,362	3,462,670
Total Capital Assets Not Being Depreciated	$ 15,871,771	$ -	$ 6,162,515	$13,253,362	$ 8,780,924
Capital Assets, Being Depreciated/Amortized:					
Infrastructure	3,782,462				3,782,462
Building and Building Improvements	78,853,276	48,158,488	12,265,639		139,277,403
Facilities and Other Improvements	3,246,634				3,246,634
Equipment	12,372,748		814,231	811,977	12,375,002
Capital Leases	48,158,488	(48,158,488)			-
Library Collections	10,767,963		114,807	47,398	10,835,372
Capitalized Collections	16,575				16,575
Total Capital Assets Being Depreciated/Amortized	$ 157,198,146	$ -	$ 13,194,677	$ 859,375	$ 169,533,448
Less: Accumulated Depreciation/Amortization					
Infrastructure	1,668,723		133,209		1,801,932
Building and Building Improvements	31,728,021	10,910,665	3,428,400		46,067,086
Facilities and Other Improvements	2,030,622		90,573		2,121,195
Equipment	8,356,175		1,123,044	773,140	8,706,079
Capital Leases	10,910,665	(10,910,665)	-		-
Library Collections	10,065,172		241,450	47,398	10,259,224
Capitalized Collections	6,604		414		7,018
Total Accumulated Depreciation/Amortization	$ 64,765,982	$ -	$ 5,017,090	$ 820,538	$ 68,962,534
Total Capital Assets, Being Depreciated/Amortized,	92,432,164	-	8,177,587	38,837	100,570,914
Capital Assets, net	$ 108,303,935	$ -	$ 14,340,102	$13,292,199	$ 109,351,838

Depreciation for the fiscal year ended June 30, 2015 was $6,715,967, and for the year ended June 30, 2016 was $5,017,090. For the year ended June 30, 2016, GSFIC did not transfer any capital additions to the Institution.

Note 7. Advances (Including Tuition and Fees)

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

		Current Liabilities
Prepaid Tuition and Fees	$	3,031,798
Other - Advances		509,803
Totals	$	3,541,601

Note 8. Long Term Liabilities

Long-Term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Leases					
Lease Purchase Obligations	$ 42,630,493	$ -	$ 3,692,462	$ 38,938,031	$ 819,796
Other Liabilities					
Compensated Absences	1,782,738	1,445,882	1,291,843	1,936,777	1,355,744
Net Pension Liability	20,161,073	3,979,150	65,077	24,075,146	
Total	21,943,811	5,425,032	1,356,920	26,011,923	1,355,744
Total Long-Term Obligations	$ 64,574,304	$ 5,425,032	$ 5,049,382	$ 64,949,954	$ 2,175,540

Note 9. Service Concession Arrangements

For the year ended June 30, 2016, the Institution did not have any service concession arrangements.

Note 10. Net Position

Net position is reported in the following three categories: Net Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted.

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

	June 30, 2016
NET POSITION	
Net Investment in Capital Assets	$ 66,920,129
Restricted for	
Permanent Trust	
Nonexpendable	
Permanent Endowment	2,936,644
Expendable	
Restricted E&G and Other Organized Activities	355,106
Unrestricted	
Auxiliary Operations	15,897,539
R & R Reserve	2,390,628
Reserve for Encumbrances	5,408,183
Other Unrestricted (Deficit)	(30,141,764)
USO Reserve Fund	220,862
Sub-Total	(6,224,552)
TOTAL NET POSITION	$ 63,987,327

Note 11. 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 Armstrong State University 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. In fiscal 2016 the investment market value for the endowment accounts declined by $4,503. This decline is reflected as a decrease in 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 to 4.5% of the endowments principal's 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.

Note 12. Significant Commitments

See Note 10 for amounts reserved for outstanding encumbrances at June 30, 2016. In addition to these encumbrances, the Institution had other significant unearned, outstanding, construction or renovation contracts executed in the amount of
$4,401,949
as of June 30, 2016. This amount is not reflected in the accompanying basic financial statements.

Note 13. Lease Obligations

The Institution is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2017 and 2039. Expenditures for fiscal year 2016 were $2,377,826 of which $2,000,848 represented interest expense. Total principal paid on capital leases was $376,978 for the fiscal year ended June 30, 2016. Interest rates range from 2 percent to 5 percent.

During fiscal year 2016 the Armstrong Educational Properties Foundation (EPFI) refinanced the bond debt associated with the Armstrong Center and the Student Recreation Center. As a result, the University recognized a deferred gain on the associated capital leases of $3,315,484. For fiscal 2016, the University realized $177,562 of this gain, leaving $3,137,922 to be amortized over the remaining lives of the leases.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal Balance at June 30, 2016	
Student Rec Center	EPFI Foundation	$ 5,284,696	26 yrs	July 2006	May 2033	$ 3,531,506	(1)
Student Union	EPFI Foundation	23,162,477	26 yrs	March 2010	June 2039	22,912,224	(1)
Armstrong Center	EPFI Foundation	17,506,253	25 yrs	June 2010	May 2035	12,494,301	(1)
Total Leases		$ 45,953,426				$ 38,938,031	

(1) These capital leases are related party transactions with affiliated organizations.

Operating Leases

The Institution's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2017 through 2021. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled $856,448 for the fiscal year ended June 30, 2016.

For fiscal year 2016, Armstrong State University had four operating leases. The first was with Michael Porten, Inc. to rent offices and classroom space in Hinesville, Georgia for the Liberty Center. The monthly rental amount is $11,375 and the rental term was extended on an annual basis until December 31, 2015. This lease terminated with the opening of the new Liberty Center building.

The second lease is with University Terrace, LLC, a subsidiary of Armstrong State University Educational Properties Foundation, an affiliated organization, to rent the University Terrace Apartments at a monthly fixed base rental of one month at $59,107 and 11 months at $60,881. For fiscal 2017 the rental will be one month at $60,881 and 11 months at $62,707. The rental term may be extended on an annual basis until June 30, 2021.

The third lease is with Armstrong Atlantic State University Cedar Grove, LLC, a subsidiary of Armstrong State University Educational Properties Foundation, an affiliated organization, for 11 acres of land at a fixed monthly rental of $1,000 and the rental term has been extended on an annual basis until June 30, 2017.

The final lease is with Georgetown Trade Center, LLC to rent a storage facility. The annual rent is $57,028 and the rental term has been extended on an annual basis until June 30, 2017.

Future Commitments

Future commitments for capital leases (which include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2017	2,705,852	819,687
2018	2,737,149	830,206
2019	2,760,698	796,374
2020	2,806,516	844,873
2021	2,826,618	70,577
2022 through 2026	14,657,400	
2027 through 2031	15,621,373	
2032 through 2036	14,843,881	
2037 through 2039	5,919,780	
Total minimum lease payments	$ 64,879,267	$ 3,361,717
Less: Interest	25,941,236	
Less: Executory costs (if paid)	-	
Principal Outstanding	$ 38,938,031	

The following is a summary of the carrying values of assets held under capital lease at June 30, 2016:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2016	Outstanding Balances per lease schedules at June 30, 2016
	(+)	(-)	(=)	
Leased Buildings & Building Improvements	42,630,493	5,036,144	$ 37,594,349	38,938,031
Total Assets Held Under Capital Lease at June 30, 2016	$ 42,630,493	$ 5,036,144	$ 37,594,349	$ 38,938,031

Note 14. Retirement Plans

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

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.

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

Summary of Significant Accounting Policies

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

General Information about the Teachers Retirement System

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2016.
The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27 % of annual Institution payroll. Institution contributions to TRS were $2,381,333 for the year ended June 30, 2016.

General Information about the Employees' Retirement System

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

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.
Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institution's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old plan members, 24.72% for new plan members and 21.69% for GSEPS members. The Institution's contributions to ERS totaled $24,247 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2016, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30 2015, the Institution's TRS proportion was 0.155913%, which was a decrease of 0.000471 % from its proportion measured as of June 30, 2014. At June 30, 2015, the Institution's ERS proportion was 0.008366%, which was a decrease of 0.002406% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institution recognized pension expense of $2,164,167 for TRS and $42,004 for ERS. At June 30, 2016, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 208,772	$ -	$ 2,708
Changes of assumptions	0	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	2,002,174	0	24,455
Changes in proportion and differences between University contributions and proportionate share of contributions	423,051	64,817	13,383	67,359
University contributions subsequent to the measurement date	2,381,333	0	24,247	0
Total	$2,804,384	$ 2,275,763	$ 37,630	$ 94,522

Institution contributions subsequent to the measurement date of $2,381,333 for TRS and $24,247 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	$ (870,445)	$ (44,229)
2018	(870,445)	(34,256)
2019	(870,446)	(10,900)
2020	771,648	8,246
2021	(13,024)	0
Thereafter	0	0

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

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

Employees' Retirement System

Inflation	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

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

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and ERS pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institution's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

Teachers Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
College/University's proportionate share of the net pension liability	$ 40,788,875	$ 23,736,206	$ 9,680,749

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
College/University's proportionate share of the net pension liability	$ 480,460	$ 338,940	$ 218,289

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

A. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

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

Funding Policy

The Institution makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2016, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $1,792,481 (9.24%) and $1,163,949 (6%), respectively.

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

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

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

The Institution, participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the USG share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

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

The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the USG, fully insured HMO healthcare plan are also offered to System employees.

Note 15. Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institution, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1.

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

Note 16. Contingencies

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

Litigation, claims and assessments filed against the Institution (an organizational unit of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 17. Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institution pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 217 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred $1,004,329 of expenditures, which was net of $358,960 of participant contributions.

Note 18. Natural Classifications with Functional Classifications

Operating expenses by functional classification for fiscal year 2016 are shown below:

	Functional Classification Fiscal Year 2016					
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	$20,018,154	$ 36,947	$ 12,657	$ 703,358	$ 7,210	$ 9,677
Staff	3,688,910	10,800	2,273	3,248,634	3,336,357	6,828,153
Benefits	5,838,189	2,235	971	962,855	937,046	3,116,408
Personal Services	15,840			18,322	17,581	233,742
Travel	318,895	5,316	5,264	130,876	124,295	137,721
Scholarships and Fellowships	352,600		21,487		13,750	
Utilities	185,302		15	69	99,647	46,154
Supplies and Other Services	2,197,913	17,218	105,698	2,978,831	1,778,311	2,559,518
Depreciation	353,268	7,894		336,110	223,330	980,071
Total Expenses	$32,969,071	$ 80,410	$ 148,365	$ 8,379,055	$ 6,537,527	$13,911,444

	Functional Classification Fiscal Year 2016					
Natural Classification	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	AU Only Patient Care	Total Expenses
Faculty			$ 15,100			$ 20,803,103
Staff	2,357,567		1,434,561			20,907,255
Benefits	759,906		424,678			12,042,288
Personal Services	9,333		19,070			313,888
Travel	16,184		68,205			806,756
Scholarships and Fellowships		9,347,692	1,243,731			10,979,260
Utilities	2,033,538		313,338			2,678,063
Supplies and Other Services	4,659,217		7,057,653			21,354,359
Depreciation	2,098,431		1,017,986			5,017,090
Total Expenses	$11,934,176	$ 9,347,692	$11,594,322	$ -	$ -	$ 94,902,062

Note 19. Subsequent Events

There are no reportable events subsequent to the end of fiscal year 2016.

Note 20. Affiliated Organizations

Under Board of Regents policy, each individual institution may establish agreements with foundations to provide valuable assistance in fundraising, public outreach and other support for the missions of the respective campuses and the USG. Although independent boards govern these foundations, their assets are generally dedicated for the benefit of the related institution and the USG. Armstrong State University Foundation (ASUF) and the Armstrong State University Educational Properties Foundation (EPFI) are legally separate, tax-exempt organizations whose activities primarily support Armstrong State University.

Through the normal course of operations, Armstrong both receives funds and/or assets from and provides funds and/or assets to the before mentioned affiliated organizations in support of sponsored projects, capital outlay projects, scholarships and other supporting activities of the Institution. Funds received and/or provided during the fiscal year related to these activities (excluding lease activities previously disclosed in Note 13) are as follows:

	Acitivity Reported by University			
Affiliated Organization	Revenue	Outstanding Receivable or Other Assets	Expense	Outstanding Payable or Other Liabilities
ASUF	$ 206,306	$ 69,719	$ 206,306	$ -
EPFI	563,074	-	563,074	-
Total	$ 769,380	$ 69,719	$ 769,380	$ -

As discussed in Note 1, Armstrong State University is included within the State's basic financial statements as part of the primary government. The accompanying basic financial statements are intended to supplement the State's 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 University. Accordingly, the financial statements of the affiliated organizations mentioned above are not included in the accompanying basic financial statements. These affiliated organizations are considered potential component units of the State in accordance with section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Required Supplementary Information

Armstrong State University
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Georgia
For the Last Two Fiscal Years

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teachers Retirement System of Georgia	6/30/2016	0.16%	$ 23,736,206	$ 16,444,320	144.34%	81.44%
Teachers Retirement System of Georgia	6/30/2015	0.16%	$ 19,757,056	$ 16,488,474	119.82%	84.03%

Armstrong State University
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Employees' Retirement System of Georgia
For the Last Two Fiscal Years

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System of Georgia	6/30/2016	0.01%	$ 338,940	$ 98,086	345.55%	76.20%
Employees' Retirement System of Georgia	6/30/2015	0.01%	$ 404,017	$ 199,743	202.27%	77.99%

Armstrong State University
Required Supplementary Information
Schedule of Contributions
Teachers Retirement System of Georgia
For the Last Ten Fiscal Years

	Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Teachers Retirement System of Georgia	6/30/2016	$ 2,381,333	$ 2,381,333	$ -	$ 16,444,320	14.27%
Teachers Retirement System of Georgia	6/30/2015	$ 2,164,167	$ 2,164,167	$ -	$ 16,488,474	13.15%
Teachers Retirement System of Georgia	6/30/2014	$ 1,959,189	$ 1,959,189	$ -	$ 16,000,846	12.28%
Teachers Retirement System of Georgia	6/30/2013	$ 1,750,319	$ 1,750,319	$ -	$ 15,340,233	11.40%
Teachers Retirement System of Georgia	6/30/2012	$ 1,596,126	$ 1,596,126	$ -	$ 15,526,517	10.28%
Teachers Retirement System of Georgia	6/30/2011	$ 1,571,391	$ 1,571,391	$ -	$ 15,285,904	10.28%
Teachers Retirement System of Georgia	6/30/2010	$ 1,474,255	$ 1,474,255	$ -	$ 15,136,088	9.74%
Teachers Retirement System of Georgia	6/30/2009	$ 1,525,145	$ 1,525,145	$ -	$ 16,434,752	9.28%
Teachers Retirement System of Georgia	6/30/2008	$ 1,523,872	$ 1,523,872	$ -	$ 16,421,034	9.28%
Teachers Retirement System of Georgia	6/30/2007	$ 1,472,188	$ 1,472,188	$ -	$ 15,864,094	9.28%

Armstrong State University
Required Supplementary Information
Schedule of Contributions
Employees' Retirement System of Georgia
For the Last Ten Fiscal Years

	Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Employees' Retirement System of Georgia	6/30/2016	$ 24,247	$ 24,247	$ -	$ 98,086	21.69%
Employees' Retirement System of Georgia	6/30/2015	$ 42,004	$ 42,004	$ -	$ 199,743	21.96%
Employees' Retirement System of Georgia	6/30/2014	$ 44,777	$ 44,777	$ -	$ 256,750	21.96%
Employees' Retirement System of Georgia	6/30/2013	$ 33,017	$ 33,017	$ -	$ 252,518	14.63%
Employees' Retirement System of Georgia	6/30/2012	$ 30,961	$ 30,961	$ -	$ 266,216	11.63%
Employees' Retirement System of Georgia	6/30/2011	$ 22,223	$ 22,223	$ -	$ 213,477	10.41%
Employees' Retirement System of Georgia	6/30/2010	$ 21,632	$ 21,632	$ -	$ 207,800	10.41%
Employees' Retirement System of Georgia	6/30/2009	$ 16,106	$ 16,106	$ -	$ 156,444	10.47%
Employees' Retirement System of Georgia	6/30/2008	$ 9,348	$ 9,348	$ -	$ 89,267	10.52%
Employees' Retirement System of Georgia	6/30/2007	$ 8,997	$ 8,997	$ -	$ 86,427	10.52%

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Employees' Retirement System

Changes of assumptions: There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation