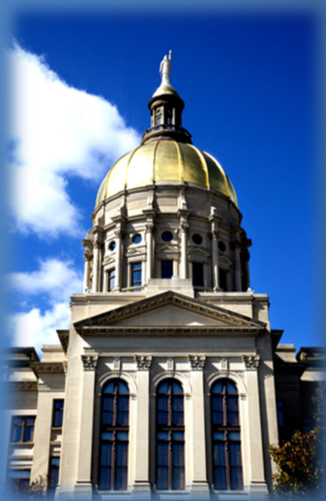

UNIVERSITY OF NORTH GEORGIA
DAHLONEGA, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2021

A Member Institution of the
University System of Georgia

UNIVERSITY OF NORTH GEORGIA

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Dr. Bonita C. Jacobs, President
University of North Georgia

Ladies and Gentlemen:

This Management Report contains information pertinent to the University of North Georgia's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2021. Additionally, we audited the University of North Georgia's Federal Student Aid programs for the year ended June 30, 2021 to meet the requirements of COC Standard 13.6. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at the University of North Georgia to support our audit of the basic financial statements of the State of Georgia presented in the *State of Georgia Annual Comprehensive Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2021.

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

Respectfully,

Greg S. Griffin
State Auditor

December 15, 2021

SELECTED FINANCIAL INFORMATION

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 51,243,558
Cash and Cash Equivalents (Externally Restricted)	1,163,732
Short-Term Investments	1,471,786
Accounts Receivable, Net	
Federal Financial Assistance	10,141,927
Affiliated Organizations	515,664
Other	1,229,927
Inventories	959,974
Prepaids	6,264
Total Current Assets	66,732,832
Noncurrent Assets	
Accounts Receivable, Net	
Due From USO - Capital Liability Reserve Fund	862,527
Notes Receivable, Net	1,420,816
Non-current Cash (Externally Restricted)	1,079,723
Investments	5,888,003
Investments (Externally Restricted)	2,037,661
Capital Assets, Net	287,904,952
Total Noncurrent Assets	299,193,682
Total Assets	365,926,514
Deferred Outflows of Resources	92,613,358
LIABILITIES	
Current Liabilities	
Accounts Payable	3,238,104
Salaries Payable	907,561
Benefits Payable	466,672
Contracts Payable	532,652
Retainage Payable	132,160
Due to Affiliated Organizations	51,563
Advances (Including Tuition and Fees)	8,571,695
Deposits	536,708
Deposits Held for Other Organizations	122,801
Other Liabilities	1,115
Lease Purchase Obligations	4,828,272
Compensated Absences	3,708,323
Total Current Liabilities	23,097,626
Noncurrent Liabilities	
Lease Purchase Obligations	118,470,354
Compensated Absences	2,842,070
Net Other Post Employment Benefits Liability	182,134,299
Net Pension Liability	137,158,913
Total Noncurrent Liabilities	440,605,636
Total Liabilities	463,703,262
Deferred Inflows of Resources	16,291,289
NET POSITION	
Net Investment in Capital Assets	168,623,247
Restricted for:	
Nonexpendable	3,333,840
Expendable	2,886,022
Unrestricted (Deficit)	(196,297,768)
Total Net Position (Deficit)	$ (21,454,679)

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "B"

OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowance)	$	76,239,404
Grants and Contracts		
State		12,523
Sales and Services		1,174,165
Rents and Royalties		298,951
Auxiliary Enterprises (Net of Scholarship Allowance)		
Residence Halls		11,127,155
Bookstore		3,664,006
Food Services		8,381,185
Parking /Transportation		4,522,402
Health Services		1,554,696
Intercollegiate Athletics		3,038,638
Other Organizations		32,068
Other Operating Revenues		2,847,725
Total Operating Revenues		112,892,918
OPERATING EXPENSES		
Faculty Salaries		59,042,914
Staff Salaries		58,327,511
Employee Benefits		66,594,240
Other Personal Services		398,824
Travel		141,186
Scholarships and Fellowships		17,464,628
Utilities		4,623,930
Supplies and Other Services		41,943,929
Depreciation		16,510,727
Total Operating Expenses		265,047,889
Operating Loss		(152,154,971)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		81,152,699
Grants and Contracts		
Federal		43,849,575
State		781,105
Other		4,390,500
Gifts		2,755,441
Investment Income (Endowments, Auxiliary and Other)		873,583
Interest Expense (Capital Assets)		(5,184,689)
Other Nonoperating Expenses		(38,555)
Net Nonoperating Revenues		128,579,659
Loss Before Other Revenues, Expenses, Gains, or Losses		(23,575,312)
Capital Grants and Gifts		
State		18,479,330
Other		67,500
Total Other Revenues, Expenses, Gains or Losses		18,546,830
Change in Net Position		(5,028,482)
Net Position - Beginning of Year (Restated)		(16,426,197)
Net Position - End of Year	$	(21,454,679)

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from Customers	$	114,243,661
Payments to Suppliers		(87,564,477)
Payments to Employees		(117,329,254)
Payments for Scholarships and Fellowships		(17,464,628)
Loans Issued to Students		(187,280)
Collection of Loans to Students		105,937
Other Payments		9,536
Net Cash Used by Operating Activities		(108,186,505)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		81,152,699
Gifts and Grants Received for Other than Capital Purposes		51,104,063
Net Cash Flows Provided by Non-Capital Financing Activities		132,256,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received		6,732,358
Purchases of Capital Assets		(11,034,868)
Principal Paid on Capital Debt and Leases		(4,533,067)
Interest Paid on Capital Debt and Leases		(5,105,138)
Net Cash Used by Capital and Related Financing Activities		(13,940,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		500,000
Investment Income		526,184
Purchase of Investments		(462,432)
Net Cash Provided by Investing Activities		563,752
Net Increase in Cash and Cash Equivalents		10,693,294
Cash and Cash Equivalents - Beginning of Year		42,793,719
Cash and Cash Equivalents - End of Year	$	53,487,013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(152,154,971)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		16,510,727
Operating Expenses Related to Noncash Gifts		1,241,025
Change in Assets and Liabilities:		
Receivables, Net		424,855
Inventories		581,437
Prepaid Items		16,103
Notes Receivable, Net		(81,344)
Accounts Payable		(376,616)
Salaries Payable		15,393
Benefits Payable		10,349
Contracts Payable		465,849
Retainage Payable		2,041
Deposits		(536,609)
Advances (Including Tuition and Fees)		1,462,496
Other Liabilities		48
Funds Held for Others		9,536
Compensated Absences		153,846
Due to Affiliated Organizations		(90,199)
Net Pension Liability		17,099,987
Other Post-Employment Benefit Liability		33,706,815
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		(6,683,979)
Deferred Outflows of Resources		(19,963,294)
Net Cash Used by Operating Activities	$	(108,186,505)
NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Noncapital Gifts	$	1,241,025
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	$	10,071,732
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	$	1,554,115
Current Year Accruals Related to Capital Financing Activities	$	178,847
Gift of Capital Assets	$	13,624,753
Loss on Disposal of Capital Assets	$	(38,557)
Accrual of Capital Asset Related Payables	$	160,498
Amortization of Deferred Loss of Capital Debt Refunded	$	(79,551)
Unrealized Gain on Investments	$	347,399

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "D"

		CUSTODIAL FUNDS
ASSETS		
Accounts Receivable, Net		
Affiliated Organizations	$	2,000
Other		3,105,431
Total Assets		3,107,431
LIABILITIES		
Cash Overdraft		2,740,105
Advances (Including Tuition and Fees)		86,690
Total Liabilities		2,826,795
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	$	280,636

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "E"

		CUSTODIAL FUNDS
ADDITIONS		
Federal Financial Aid	$	34,318,224
State Financial Aid		42,923,997
Other Financial Aid		5,525,341
Clubs and Other Organizations Fund Raising		158,578
Public - Private Partnership Passthrough		5,680,009
Total Additions		88,606,149
DEDUCTIONS		
Scholarships and Other Student Support		82,722,346
Student Organizations Support		159,466
Public - Private Partnership Passthrough		5,649,540
Total Deductions		88,531,352
Change in Net Position		74,797
Net Position - Beginning		205,839
Net Position - Ending	$	280,636

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

REPORTING ENTITY

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

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

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities and fiduciary fund of the State that is attributable to the transactions of the Institution. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2021, 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 ACFR. The most recent State of Georgia ACFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/statewide-reporting/acfr.

BASIS OF PREPARATION

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

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

The Institution reports the following fiduciary fund:

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

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2021, the Institution adopted GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, it defines a majority equity interest and specifies that majority equity interest in a legal separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The adoption of this statement does not have an impact on the Institution's financial statements.

NET POSITION

The Institution's net position is classified as follows:

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

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

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institution's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

RESTATEMENT NOTE DISCLOSURE

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

		Business-Type Activities
Net Position, Beginning of Year, As Originally Reported	$	(18,177,760)
Correction of Prior Year Errors		1,751,563
Net Position, Beginning of Year, Restated	$	(16,426,197)

Correction of Prior Year Errors

The Institution recorded a restatement for the correction of prior year errors in the amount of $1,751,563. This restatement is made up of an increase in the Special Item Transfer amount of $2,232,982 previously recorded for the former Lanier Technical College Oakwood Campus. In addition, the restatement includes a decrease in the amount of $481,419 for accumulated depreciation on the same property not recognized in fiscal year 2020.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2021 are classified in the accompanying statement of net position as follows:

Statement of Net Position		
Current		
Cash and Cash Equivalents	$	51,243,558
Cash and Cash Equivalents (Externally Restricted)		1,163,732
Short-Term Investments		1,471,786
Noncurrent		
Investments		5,888,003
Noncurrent Cash (Externally Restricted)		1,079,723
Noncurrent Investments (Externally Restricted)		2,037,661
Statement of Fiduciary Net Position		
Cash and Cash Equivalents		(2,740,105)
	$	60,144,358

Cash on hand, deposits and investments as of June 30, 2021 consist of the following:

Cash on Hand	$	16,108
Deposits with Financial Institutions		45,256,853
Investments		14,871,397
	$	60,144,358

DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

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

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

6. Letters of credit issued by a Federal Home Loan Bank.

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

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

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

At June 30, 2021, the bank balances of the Institution's deposits totaled $46,449,641. This balance includes deposits in fiduciary funds as these balances are not separable from the holdings of the USG. None of these deposits were exposed to custodial credit risk.

INVESTMENTS

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

The following table summarizes the valuation of the Institution's investments measured at fair value on a recurring basis as of June 30, 2021.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Debt Securities:		
Money Market Mutual Funds	$ 534	$ 534
Municipal Obligations	1,039,214	1,039,214
Other Investments		
Equity Mutual Funds - Domestic	491,380	491,380
	1,531,128	$ 1,531,128
Investment Pools		
Board of Regents		
Short-Term Fund	6,795,943	
Balanced Income Fund	6,394,536	
Office of the State Treasurer		
Georgia Fund 1	149,790	
Total Investments	$ 14,871,397	

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

The Institution holds positions in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Institution does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

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

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

The Institution's position in the pooled investment fund options are described below.

1. Short-Term Fund
   The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of the overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and § 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of ¾ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Institution's position in the Short-Term Fund at June 30, 2021 was $6,795,943, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.89 years.

2. Balanced Income Fund
   The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

   The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Institution's position in the Balanced Income Fund at June 30, 2021 was $6,394,536 of which 65% is invested in debt securities. The Effective Duration of the Fund is 7.13 years.

Office of the State Treasurer Investment Pool
The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the U.S. Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 36 days.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Institution's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds, and attempts to match investments with expected cash requirements.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2021:

	Business-Type Activities	Fiduciary Fund
Student Tuition and Fees	$ 1,085,468	$ 6,858
Auxiliary Enterprises and Other Operating Activities	585,050	-
Federal Financial Assistance	10,141,927	102,375
Georgia Student Financing Commission	-	2,995,705
Georgia State Financing and Investment Commission	54,062	-
Due from Affiliated Organizations	515,664	2,000
Due from Other USG Institutions	1,137,827	-
Other	215,966	493
	13,735,964	3,107,431
Less Allowance for Doubtful Accounts	985,919	
Net Accounts Receivable	$ 12,750,045	$ 3,107,431

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2021:

	(Restated) Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	$ 10,496,015	$ -	$ -	$ 10,496,015
Capitalized Collections	168,500	-	-	168,500
Construction Work-In-Progress	7,640,529	729,278	6,035,384	2,334,423
Total Capital Assets, Not Being Depreciated	18,305,044	729,278	6,035,384	12,998,938
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	10,535,064	-	-	10,535,064
Building and Building Improvements	404,199,932	22,897,610	268,349	426,829,193
Facilities and Other Improvements	19,684,146	4,463,620	-	24,147,766
Equipment	25,086,321	2,222,121	486,860	26,821,582
Library Collections	10,848,040	48,529	13,286	10,883,283
Capitalized Collections	-	27,000	-	27,000
Total Capital Assets Being Depreciated/Amortized	470,353,503	29,658,880	768,495	499,243,888
Less: Accumulated Depreciation:				
Infrastructure	5,703,372	312,717	-	6,016,089
Building and Building Improvements	161,455,355	12,996,226	241,514	174,210,067
Facilities and Other Improvements	13,853,327	401,861	-	14,255,188
Equipment	17,619,623	2,512,071	475,138	19,656,556
Library Collections	9,925,408	287,852	13,286	10,199,974
Capitalized Collections	-	-	-	-
Total Accumulated Depreciation	208,557,085	16,510,727	729,938	224,337,874
Total Capital Assets, Being Depreciated, Net	261,796,418	13,148,153	38,557	274,906,014
Capital Assets, Net	$ 280,101,462	$ 13,877,431	$ 6,073,941	$ 287,904,952

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

Fiscal Year	Depreciation Expense
2021	$ 16,510,727
2020	$ 16,348,751
2019	$ 17,492,791

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

Advances, including tuitions and fees consisted of the following at June 30, 2021:

	Current Liabilities
Prepaid Tuition and Fees	$ 6,192,338
Research	539,352
Other - Advances	1,840,005
Total Advances	$ 8,571,695

Fiduciary Fund advances in the amount of $86,690 consist of student support received prior to eligibility requirements being met.

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liability for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Leases					
Lease Obligations	$ 127,831,693	$ -	$ 4,533,067	$ 123,298,626	$ 4,828,272
Other Liabilities					
Compensated Absences	6,396,549	4,237,319	4,083,475	6,550,393	3,708,323
Total Long-Term Liabilities	$ 134,228,242	$ 4,237,319	$ 8,616,542	$ 129,849,019	$ 8,536,595

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2021 and June 30, 2020 consisted of the following:

	Fiscal Year 2021	Fiscal Year 2020
Deferred Outflows of Resources		
Deferred Loss on Debt Refunding	$ 5,769,520	$ 6,077,867
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	44,459,436	44,312,172
Deferred Loss on OPEB Plan (See Note 14)	42,384,402	22,568,372
Total Deferred Outflows of Resources	$ 92,613,358	$ 72,958,411
Deferred Inflows of Resources		
Deferred Gain on Debt Refunding	$ 1,592,101	$ 1,820,896
Unavailable Revenues	924,600	-
Deferred Gain on Defined Benefit Pension Plans (See Note 11)	-	2,898,429
Deferred Gain on OPEB Plan (See Note 14)	13,774,588	17,560,138
Total Deferred Inflows of Resources	$ 16,291,289	$ 22,279,463

NOTE 8: NET POSITION

The breakdown of business-type activity net position for the Institution at June 30, 2021 is as follows:

Net Investment in Capital Assets	$ 168,623,247
Restricted for	
Nonexpendable	
Permanent Endowment	3,333,840
Expendable	
Sponsored and Other Organized Activities	519,419
Federal Loans	444,689
Institutional Loans	1,921,894
Sub-Total	2,886,002
Unrestricted	
Auxiliary Operations	31,383,093
Reserve for Encumbrances	14,979,217
Capital Liability Reserve Fund	862,527
Other Unrestricted (Deficit)	(243,522,605)
Sub-Total	(196,297,768)
Total Net Position (Deficit)	$ (21,454,679)

Changes in Net Position for the year ended June 30, 2021 are as follows:

	(Restated) Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Net Investment in Capital Assets	$ 156,059,395	$ 28,885,841	$ 16,321,989	$ 168,623,247
Restricted Net Position	6,152,471	68,119,688	68,052,317	6,219,842
Unrestricted Net Position	(178,638,063)	197,122,963	214,782,668	(196,297,768)
Total Net Position	$ (16,426,197)	$ 294,128,492	$ 299,156,974	$ (21,454,679)

NOTE 9: ENDOWMENTS

DONOR RESTRICTED ENDOWMENTS

Investments of the Institution’s endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation on endowment investments available for authorization for expenditure was $318,522 and is reflected as part of expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institution’s endowment funds is predicated on the total return concept. Annual payouts from the Institution’s endowment funds are based on a spending policy which limits spending between 3.0% and 6.0% of endowment principal market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Institution uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

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

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

NOTE 10: LEASES

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

CAPITAL LEASES

The Institution acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. §50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution's principal and interest payments related to capital leases for fiscal year 2021 were $4,533,067 and $5,105,138, respectively.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2021:

Description	Gross Amount	Accumulated Depreciation	Net Assets Held Under Capital Lease at June 30, 2021	Outstanding Balances per Lease Schedules at June 30, 2021
	(+)	(-)	(=)	
Land and Land Improvements	$ 1,200,673	$ -	$ 1,200,673	$ 797,152
Equipment	135,077	135,077	-	132,594
Buildings and Building Improvements	145,880,735	65,238,148	80,642,587	122,080,884
Facilities and Other Improvements	293,389	138,226	155,163	287,996
Total Assets Held Under Capital Lease	$ 147,509,874	$ 65,511,451	$ 81,998,423	$ 123,298,626

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

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal	
Church Street Parking Deck	North Georgia Parking & Recreation Center, LLC	$ 8,578,647	20 years	4/2017	06/2037	$ 7,113,323	(1)
Recreation Center	North Georgia Parking & Recreation Center, LLC	12,867,970	20 years	4/2017	06/2037	10,669,985	(1)
Office Building/Land	North Georgia Parking & Recreation Center, LLC	2,628,383	19 years	4/2017	6/2036	2,150,965	(1)
Patriot Hall	North Georgia PHD, LLC	13,625,363	23 years	12/2017	6/2040	12,650,392	(1)
North Georgia Suites	North Georgia PHD, LLC	21,927,504	23 years	12/2017	6/2040	20,353,184	(1)
Walker Drive Parking Deck	North Georgia PHD, LLC	15,230,854	23 years	12/2017	6/2040	14,140,966	(1)
Dining Hall	North Georgia PHD, LLC	20,786,137	23 years	12/2017	6/2040	19,290,064	(1)
Military Dorm / Liberty Hall	North Georgia MBA, LLC	9,599,259	23 years	12/2017	6/2040	8,682,545	(1)
Chestatee Building	North Georgia MBA, LLC	9,142,845	23 years	12/2017	6/2040	8,301,475	(1)
Gaillard Hall Renovation	North Georgia MBA, LLC	7,598,807	23 years	12/2017	6/2040	6,874,457	(1)
Pilgrim Mill	Pilgrim Mill Center, LLC	4,050,000	11 years	8/2012	6/2023	789,755	(1)
Gainesville Parking Structure	USG Real Estate Foundation I, LLC	4,747,449	25 years	12/2015	6/2040	4,174,517	(1)
Gainesville - Oconee Campus	GSC Foundation Real Estate Holding Company, LLC	4,325,809	9 years	7/2015	12/2023	1,441,541	(1)
Hurricane Creek (Outdoor Lab Research Property)	Real Estate Foundation, Inc	385,230	7 years	1/2017	6/2023	126,901	(1)
South Parking Deck	North Georgia Parking & Recreation Center, LLC	9,125,349	29 years	9/2017	6/2046	6,538,556	(1)
Total Leases		$ 144,619,606				$ 123,298,626	

(1) These capital leases are related party transactions.

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

OPERATING LEASES

The Institution leases land, facilities, office equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriations from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution's operating lease expense for fiscal year 2021 was $922,092, which includes payments to related parties of $462,110. The Institution is obligated to pay these related parties a total of $427,154 in the next fiscal year.

FUTURE COMMITMENTS

Future commitments for capital leases and for non-callable operating leases having remaining terms in excess of one year as of June 30, 2021, are as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2022	$ 10,514,752	$ 882,686
2023	10,578,225	519,936
2024	9,838,687	401,960
2025	9,610,327	361,361
2026	9,725,378	58,012
2027 - 2031	50,201,026	48,333
2032 - 2036	52,757,166	-
2037 - 2041	38,085,776	-
2042 - 2046	2,256,145	-
Total Minimum Lease Payments	$ 193,567,482	$ 2,272,288
Less: Interest	54,395,464	
Less: Executory Costs	15,873,392	
Principal Outstanding	$ 123,298,626	

NOTE 11: RETIREMENT PLANS

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

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

General Information about the Teachers Retirement System

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

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The Institution's contractually required contribution rate for the year ended June 30, 2021 was 19.06% of the Institution's annual payroll. The Institution's contributions to TRS totaled $13,601,723 for the year ended June 30, 2021.

General Information about the Employees' Retirement System

Plan Description

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

Benefits provided

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

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

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2021 was 24.66% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The Institution's contributions to ERS totaled $70,238 for the year ended June 30, 2021. 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, 2021, 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, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the Institution's TRS proportion was 0.563816%, which was an increase of 0.008034% from its proportion measured as of June 30, 2019. At June 30, 2020, the Institution's ERS proportion was 0.013775%, which was an increase of 0.000428% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Institution recognized pension expense of $27,608,026 for TRS and $118,230 for ERS. At June 30, 2021, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,948,028	$ -	$ 7,072	$ -
Changes of assumptions	14,067,722	-	-	-
Net difference between projected and actual earnings on pension plan investments	3,289,511	-	8,201	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,449,640	-	17,300	-
Contributions subsequent to the measurement date	13,601,723	-	70,238	-
Total	$ 44,356,624	$ -	$ 102,811	$ -

The Institution's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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
2022	$ 8,284,828	$ 8,024
2023	$ 10,113,658	$ 7,859
2024	$ 8,992,514	$ 9,518
2025	$ 3,363,901	$ 7,172

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

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

Post-retirement mortality rates were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 with the exception of the long-term assumed rate of return.

Employees' Retirement System

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

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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

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

* Rates shown are net of inflation

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

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

Teachers Retirement System:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 216,580,585	$ 136,578,303	$ 70,999,370

Employees' Retirement System:	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Proportionate share of the net pension liability	$ 816,817	$ 580,610	$ 379,036

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

B. Defined Contribution Plan

Regents Retirement Plan

Plan Description

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

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2021, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $3,164,881 (9.24%) and $2,055,119 (6.00%), respectively.

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

NOTE 12: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

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

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

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

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

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

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

NOTE 13: CONTINGENCIES

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

Litigation, claims and assessments filed against the Institution, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

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

Pursuant to the general powers conferred by the O.C.G.A. § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

The Institution's membership in the Plan consisted of the following at June 30, 2021:

Active Employees	1,718
Retirees or Beneficiaries Receiving Benefits	432
Retirees Receiving Life Insurance Only	80
Total	2,230

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The Institution pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2021 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. For employees hired on or after January 1, 2013 and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2021, the Institution contributed $4,099,712 to the plan for current premiums or claims.

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

At June 30, 2021, the Institution reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2020. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The Institution's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the Institution's proportion was 3.414771%, which was an increase of 0.095410% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Institution recognized OPEB expense of $14,204,947. At June 30, 2021 the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,249,046	$ 729,693
Changes of assumptions	16,720,491	12,988,206
Net difference between projected and actual earnings on OPEB plan investments	-	56,689
Changes in proportion and differences between contributions and proportionate share of contributions	12,315,153	-
Contributions subsequent to the measurement date	4,099,712	-
Total	$ 42,384,402	$ 13,774,588

The Institution's contributions subsequent to the measurement date of $4,099,712 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	$ 3,731,756
2023	$ 3,744,919
2024	$ 4,009,398
2025	$ 3,924,687
2026	$ 3,501,485
Thereafter	$ 5,597,857

Actuarial assumptions

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of May 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2020 2.21% from Bond Buyer GO 20 - Bond Municipal Bond Index Interest Rate as of 6/30/2019 3.50% from Bond Buyer GO 20 - Bond Municipal Bond Index Long-term Rate of Return 3.75% General Inflation 2.10% Salary Growth 4.00%
Mortality Rates	Pub-2010 for Teachers (headcount weighted) projected with Scale MP-2019
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.7%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to remove excise tax adjustments. Mortality improvement scale was updated from MP-2018 to MP-2019. The discount rate was update from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020. The withdrawal rates were updated to better reflect the anticipated future experience as the result of an assumption study. The coverage election assumption was updated to better reflect anticipated future experience as the result of an assumption study. The spousal coverage assumption and the spousal age difference assumption were updated to better reflect anticipated future experience as the result of an assumption study.

Plan Changes

HRA cost sharing for employees hired on or after January 1, 2013 and retiring after January 1, 2018 is based on a policy that ties years of service to the amount the USG contributes based on 22-tiers ranging from 100% for employees retiring with 30 years of service to 21% for employees retiring with 10 years of service.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	- %	70%
Equity Allocation	4.51%	30%

Discount Rate

The Plan's projected fiduciary net position at the end of 2023 is $0, based on the valuation completed for the fiscal year ending June 30, 2020. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on Plan investments of 3.75% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 2.21% from the Bond Buyers GO 20-Bond Municipal Bond Index.

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

The following presents the Institution's proportionate share of the net OPEB liability, as well as what the Institution's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%) or 1% (3.21%) higher than the current discount rate (2.21%):

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
Proportionate Share of the Net OPEB Liability	$ 222,038,112	$ 182,134,299	$ 150,198,617

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

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

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	151,017,695	182,134,299	221,590,034
Pre-Medicare Eligible	5.7% decreasing to 3.5%	6.7% decreasing to 4.5%	7.7% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

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

SUPPLEMENTARY INFORMATION

SCHEDULE "1"

UNIVERSITY OF NORTH GEORGIA
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2021

ASSETS		
Cash and Cash Equivalents	$	19,338,283.12
Investments		1,072,785.27
Accounts Receivable		
Federal Financial Assistance		10,681,082.44
Other		1,667,770.85
Prepaid Expenditures		2,500.00
Other Assets		275,300.00
Total Assets	$	33,037,721.68
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	869,336.96
Encumbrances Payable		14,206,225.03
Accounts Payable		470,057.92
Unearned Revenue		9,124,874.35
Funds Held for Others		117,869.25
Total Liabilities		24,788,363.51
Fund Balances		
Reserved		
Department Sales and Services		1,668,496.40
Indirect Cost Recoveries		1,400,460.33
Technology Fees		996,297.83
Restricted/Sponsored Funds		935,909.39
Uncollectible Accounts Receivable		709,580.72
Tuition Carry-Over		2,270,520.68
Unreserved		
Surplus		268,092.82
Total Fund Balances		8,249,358.17
Total Liabilities and Fund Balances	$	33,037,721.68

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

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2021

	Original Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Teaching				
State Appropriation				
State General Funds	$ 78,150,479.00	$ 82,375,657.00	$ 82,375,657.00	$ -
Federal Coronavirus Relief Funds	-	18,904,391.00	14,807,517.38	-
Other Funds	138,365,910.00	146,821,484.00	130,356,453.92	7,274,758.97
Total Operating Activity	$ 216,516,389.00	$ 248,101,532.00	$ 227,539,628.30	$ 7,274,758.97

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

Funds Available Compared to Budget			Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Program Transfers or Adjustments	Total Funds Available	Variance Negative	Actual	Variance Positive	
$ -	$ 82,375,657.00	$ -	$ 82,373,943.49	$ 1,713.51	$ 1,713.51
-	14,807,517.38	(4,096,873.62)	14,807,517.38	4,096,873.62	-
-	137,631,212.89	(9,190,271.11)	130,300,423.97	16,521,060.03	7,330,788.92
$ -	$ 234,814,387.27	$ (13,287,144.73)	$ 227,481,884.84	$ 20,619,647.16	$ 7,332,502.43

UNIVERSITY OF NORTH GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2021

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2020 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	$ 1,121,138.79	$ -	$ (1,121,138.79)	$ 11,914.79
Federal Coronavirus Relief Funds	-	-	-	-
Other Funds	7,376,578.37	(7,274,758.97)	(101,819.40)	72,787.35
Total Teaching	8,497,717.16	(7,274,758.97)	(1,222,958.19)	84,702.14
Prior Year Reserve				
Not Available for Expenditure				
Uncollectible Accounts Receivable	832,153.60	-	-	-
Budget Unit Totals	$ 9,329,870.76	$ (7,274,758.97)	$ (1,222,958.19)	$ 84,702.14

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

Other Adjustments	Early Return Fiscal Year 2021 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance: Reserved	Analysis of Ending Fund Balance: Surplus	Analysis of Ending Fund Balance: Total
$ -	$ -	$ 1,713.51	$ 13,628.30	$ -	$ 13,628.30	$ 13,628.30
-	-	-	-	-	-	-
122,572.88	-	7,330,788.92	7,526,149.15	7,271,684.63	254,464.52	7,526,149.15
122,572.88	-	7,332,502.43	7,539,777.45	7,271,684.63	268,092.82	7,539,777.45
(122,572.88)	-	-	709,580.72	709,580.72	-	709,580.72
$ -	$ -	$ 7,332,502.43	$ 8,249,358.17	$ 7,981,265.35	$ 268,092.82	$ 8,249,358.17

	Reserved	Surplus	Total
Department Sales and Services	$ 1,668,496.40	$ -	$ 1,668,496.40
Indirect Cost Recoveries	1,400,460.33	-	1,400,460.33
Technology Fees	996,297.83	-	996,297.83
Restricted/Sponsored Funds	935,909.39	-	935,909.39
Tuition Carry-Over	2,270,520.68	-	2,270,520.68
Uncollectible Accounts Receivable	709,580.72	-	709,580.72
Surplus	-	268,092.82	268,092.82
Total Ending Fund Balance - June 30	$ 7,981,265.35	$ 268,092.82	$ 8,249,358.17

SECTION II

ENTITY’S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF NORTH GEORGIA
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

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

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

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

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were noted.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Cash Management

Observation:
Upon review of all cash drawdowns and disbursements related to the Federal Pell Grant and Federal Direct Student Loans programs, insignificant excessive cash balances were noted for 16 days and 107 days, respectively, in the fiscal year due to the processing of financial aid adjustments. Provisions included in Title 34 CFR Sections 668.163 and 668.166 provide requirements for maintaining and accounting for funds and excess cash, respectively. Specifically, provisions included in 34 CFR 668.166(a) state, "The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution – (1) Received those funds from the Secretary; or (2) Deposited or transferred to its depository account previously disbursed title IV, HEA program funds, such as those resulting from award adjustments, recoveries, or cancellations." While Title 34 CFR Section 668.166(b) provides additional cash tolerance guidelines, the excessive cash balances maintained by the Institution also exceeded these prescribed tolerance limits.

Recommendation:
The Institution should follow established procedures to ensure that Federal Pell Grant and Federal Direct Student Loan funds are disbursed within three business days of the receipt of such funds or follow appropriate cash tolerance procedures prescribed by the U.S. Department of Education. The Institution should only request Federal Pell Grant and Federal Direct Student Loan funds when the amounts are immediately needed to disburse funds to students or parents. The Institution should also ensure that potential excess cash balances are reviewed when adjustments are made to students' awards and returned as necessary within the prescribed timeframes. Additionally, the Institution should develop and implement a monitoring process to ensure that controls are followed appropriately.