

CLAYTON STATE UNIVERSITY

Annual Financial Report
Fiscal Year 2022



CLAYTON STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2022

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Introductory Section

Message from Interim President Kerry Heyward, J.D.

Since joining Clayton State University as interim President in April 2022, I quickly have come to realize our campus as a diverse and inclusive academic community. It is an institution with a vibrant history of educating individuals from diverse backgrounds from across the country and around the world. I have been impressed by the University's collective commitment to ensuring that each student at Clayton State receives the knowledge, skills, and tools they need to be successful in achieving their degree and beyond. I am inspired by the dedication exhibited by our faculty, staff, alumni, and friends and believe these individuals motivate our students in their own pursuit of excellence.

While these past months and years have undoubtedly been challenging, important, too, are the innumerable successes we have achieved. Clayton State's incredible faculty and research scientists continue to lead the way by conducting pioneering research in their respective fields, receiving exciting grants, and publishing and presenting their work. Our students follow their lead by conducting cutting-edge research of their own, studying abroad at other prestigious universities around the world, and contributing groundbreaking ideas that will positively impact our society. Clayton State's student-athletes also work hard, both in and out of the classroom, while exemplifying positive community engagement and serving as models of servant leadership.

It should come as no surprise, then, that Clayton State is quickly becoming the university of choice for more students than ever. Clayton State experienced the highest-ever six-year graduation rate of 36%, (which is a five-point increase from the previous year's rate), with over 1,300 students graduating in the last year. This achievement is significant on its own, but even more so considering the challenges of the pandemic over the past two years. Our accomplishments have been great, our growth has been steady, and our student body is more robust and diverse than ever. I can see that the best is yet to come.

Now more than ever, it is apparent that Clayton State is an incredible institution filled with bright, talented students, world-class faculty and hardworking staff. The work of yesterday has poised the University to be on the brink of unprecedented excellence for which we are undeniably ready. With a solid foundation on which to build, I have absolute confidence in our ability to grow Clayton State's positive momentum now and for generations to come.

With gratitude,

Kerry Heyward, J.D.

Interim President

Letter of Transmittal

August 15, 2022

To: Kerry Heyward, J.D.
Interim President
Clayton State University

The Annual Financial Report (AFR) for the Clayton State University includes the financial statements for the year ended June 30, 2022, as well as other useful information to help ensure the University'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 University's financial position as a result of operations for the fiscal year ended June 30, 2022.

Clayton State University 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 Institution's financial position, revenues, expenses and other changes in net position.

The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

The Georgia Department of Audits and Accounts (DOAA) was engaged to complete a review engagement at Clayton State University for Fiscal Year 2022. The engagement is in respect to the financial statements of the business type activities and fiduciary funds, including the notes to the institution's financial statements. DOAA performs procedures to the extent necessary so that DOAA might express an opinion on the basic financial statements of the University System of Georgia Annual Financial Report and the Annual Comprehensive Financial Report of the State of Georgia. The procedures will not constitute an audit of the institution's financial statements. For this reason, DOAA did not express an opinion on the financial statements.

Sincerely,

Ms. Corlis Cummings
Vice President, Business & Operations

Financial Section

**DOAA**Georgia Department
of Audits & Accounts**Greg S. Griffin**
State Auditor**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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
Ms. Kerry Heyward, President
Clayton State University

We have reviewed the accompanying financial statements of the business-type activities and the fiduciary funds of Clayton State University, as of and for the year ended June 30, 2022, and the related notes (financial statements), as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Clayton State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Other Matters

The accompanying supplementary information listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited, reviewed, or compiled the supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it. We did, however, perform certain procedures on the supplementary information.

Included in a separate Report on Review dated [Publish Date] is a section on findings and other items for any matters that came to our attention during our engagement.

We have performed certain procedures at Clayton State University 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, 2022.

This report is intended solely for the information and use of the management of Clayton State University and the members of the Board of Regents of the University System of Georgia and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

November 10, 2022

CLAYTON STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Clayton State University (University) is one of the 26 institutions of higher education of the University System of Georgia. The University is located in Morrow, Georgia and was founded in 1969. It cultivates an environment of engagement and experienced-based learning enriched by active community service, that prepares students of diverse ages and backgrounds to succeed in their lives and careers.

Through a distinctive combination of proven and innovative methods of teaching and learning, Clayton State University excels in preparing students from many walks of life to meet the challenges of living and working in a dynamic, global society.

Clayton State currently has more than 40 undergraduate majors in the Colleges of Arts & Sciences, Business, Health, and Information and Mathematical Sciences. The University's School of Graduate Studies has nine master's degree programs and has become known for its state-of-the-art technology and technology programs.

The University offers baccalaureate and master's degrees in a wide variety of subjects. This broad range of educational opportunities attracts a highly qualified faculty and a student body of over 6800 students.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2022	6,820	5,433
FY 2021	7,052	5,726
FY 2020	6,879	5,705

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2022. The emphasis of discussions about these statements will be on current year data of business-type activities. 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 University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2022 and fiscal year 2021.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2022 and includes all assets and liabilities, both current and noncurrent and deferred inflows and outflows. 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 University and how much the University owes vendors. The difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources (net position) is one indicator of the University's financial health. Increases 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 University's equity in property, plant, and equipment owned by the University.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the University 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 University for any lawful purpose.

CONDENSED STATEMENT OF NET POSITION	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 21,716,400	\$ 18,471,551	\$ 3,244,849	17.57 %
Capital Assets, Net	120,177,555	118,246,632	1,930,923	1.63 %
Intangible Right-to-Use Assets, Net	59,587	—	59,587	100.00 %
Other Assets	2,233,311	2,233,311	—	— %
TOTAL ASSETS	\$ 144,186,853	\$ 138,951,494	\$ 5,235,359	3.77 %
DEFERRED OUTFLOWS	\$ 21,425,074	\$ 22,744,050	\$ (1,318,976)	(5.80)%
LIABILITIES				
Current Liabilities	9,369,654	9,144,292	225,362	2.46 %
Non-Current Liabilities	132,364,530	164,651,111	(32,286,581)	(19.61)%
TOTAL LIABILITIES	\$ 141,734,184	\$ 173,795,403	\$ (32,061,219)	(18.45)%
DEFERRED INFLOWS	\$ 42,789,151	\$ 17,665,038	\$ 25,124,113	142.23 %
NET POSITION				
Net Investment in Capital Assets	52,653,821	47,937,732	4,716,089	9.84 %
Restricted, Non-Expendable	1,650,680	1,650,680	—	— %
Restricted, Expendable	7,335	7,335	—	— %
Unrestricted	(73,223,244)	(79,360,644)	6,137,400	7.73 %
TOTAL NET POSITION	\$ (18,911,408.00)	\$ (29,764,897.00)	\$10,853,489	36.46 %

Total assets increased by \$5,235,359 which was due to an increase in current assets of \$3,244,849, an increase in net capital assets of \$1,930,923, and an increase in net intangible right-to-use assets of \$59,587. The increase in current assets is primarily due to an increase in cash position at year end. Prior to year end, federal awards were reconciled and funds due were drawn down from the G5 payment system. We retired library collections that were no longer relevant and adjusted value for leased assets by removing the 10% residual value not applicable per Business Procedures Manual Section 7.1.6. However, this decrease in net capital assets was offset by the addition of the mini central energy plant transferred by GSFIC to the University. The result was an overall increase in net capital assets.

Total deferred outflows of resources decreased by \$1,318,976 which was primarily due to a change in the University's proportionate share of the actuarially-determined deferred loss on defined benefit pension plan administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities decreased by \$32,061,219 which was due to an increase in current liabilities of \$225,362 and a decrease in non-current liabilities of \$32,286,581. The institution changed its percentage of summer revenue deferred from 24% to 40%, thereby increasing advances in current liabilities by 18.60%. Lease purchase obligations decreased by \$59,402,405 and notes payable increased by the same amount due to the implementation of GASB 87. GASB 87 requires a different accounting treatment for contracts that transfer ownership of the underlying asset to the purchaser by the end of the contract and does not contain termination options. These contracts, also known as finance purchases, are now accounted for as notes payable. For Clayton State, implementation of GASB 87 meant transferring all liability for public private ventures previously accounted for as lease obligations to notes payable. The Teachers Retirement System (TRS) of Georgia made significant assumption changes between fiscal year 2021 and 2022, resulting in a decrease of \$26,589,617 in net pension liability. TRS also updated their experience study which had not been done since 2014 to more closely reflect actual experience. Net other post employment benefits (OPEB) liabilities decreased by \$3,446,224 due to changes in calculation of the University's proportionate share of the actuarially-determined liability for defined benefit plans.

Total deferred inflows of resources increased by \$25,124,113 which was due to a decrease of \$331,191 in deferred inflows for debt refunding, increase of \$21,902,199 in the University's deferred inflows related to pension liability and

an increase of \$3,553,105 in the category of deferred inflows related to the changes in the University's net OPEB liability.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of \$10,853,489. This change in net position is primarily in the category of unrestricted net position.

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 University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. 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 University. 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 University without the Legislature directly receiving commensurate goods and services for those revenues.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
Operating Revenue	\$ 40,263,689	\$ 40,941,666	\$ (677,977)	-1.66 %
Operating Expense	103,193,603	97,782,461	5,411,142	5.53 %
Operating Income/Loss	\$ (62,929,914)	\$ (56,840,795)	\$ (6,089,119)	(10.71)%
Non-Operating Revenue and Expense	66,546,978	52,831,397	13,715,581	25.96 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	\$ 3,617,064	\$ (4,009,398)	\$ 7,626,462	190.21 %
Other Revenues, Expenses, Gains, Losses and Special Items	7,236,425	5,792,527	1,443,898	24.93 %
Change in Net Position	\$ 10,853,489	\$ 1,783,129	\$ 9,070,360	(508.68)%
Net Position at Beginning of Year	(29,764,897)	(31,548,026)	1,783,129	5.65 %
Net Position at End of Year	\$ (18,911,408)	\$ (29,764,897)	\$ 10,853,489	36.46 %

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenues

Clayton State University experienced a decline in enrollment. Fall semester headcount and full time equivalent decreased by 4% and 6% respectively, and credit hour production decreased by 8%. These decreases resulted in a decrease in net student tuition and fees by \$2,151,157. The decrease in net tuition and fees was offset by a 63.23% increase in sales and services revenue, 14.04% increase in residence halls revenue, 21.13% increase in food services revenue, and 18.57% increase in other auxiliary units. Resident halls revenue increased due to increase in occupancy and housing rates. Overall, operating revenues decreased by 1.66% which is equivalent to \$677,977.

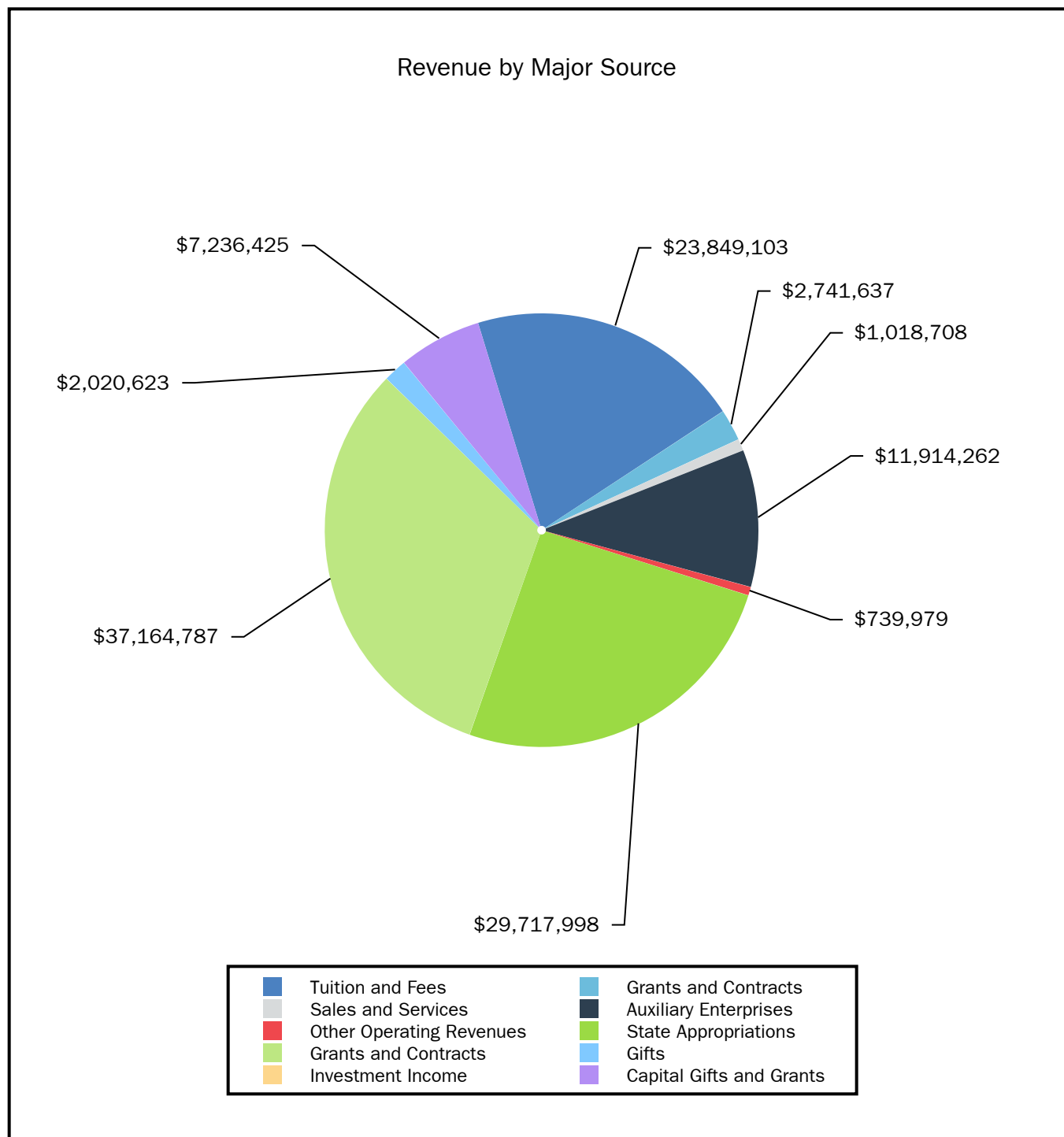
Net nonoperating revenues increased by 25.96% for the following reasons: Clayton State University's state appropriation increased by \$3,418,822 (13.00%). The three main contributing factors to this increase are: enrollment earnings, fiscal year 2021 formula allocation adjustment, and allocation for cost of living adjustment in the last quarter of the fiscal year. Federal grants and contracts revenue increased by \$8,299,932 (29.84%) due to increase in Higher Education Emergency Relief Funds (HEERF) received from the Department of Education. The CSU Real Estate Foundation LLC reimbursed the University for repairs and maintenance to Laker Village. This made up the majority of the increased gift revenue of \$1,723,810 (580.77%).

The Georgia State Financing and Investment Commission (GSFIC) completed the mini central energy plant project and transferred the asset to the University during the fiscal year. The university recognized and recorded \$7,236,425 in state capital grants and gifts as a result of this transfer.

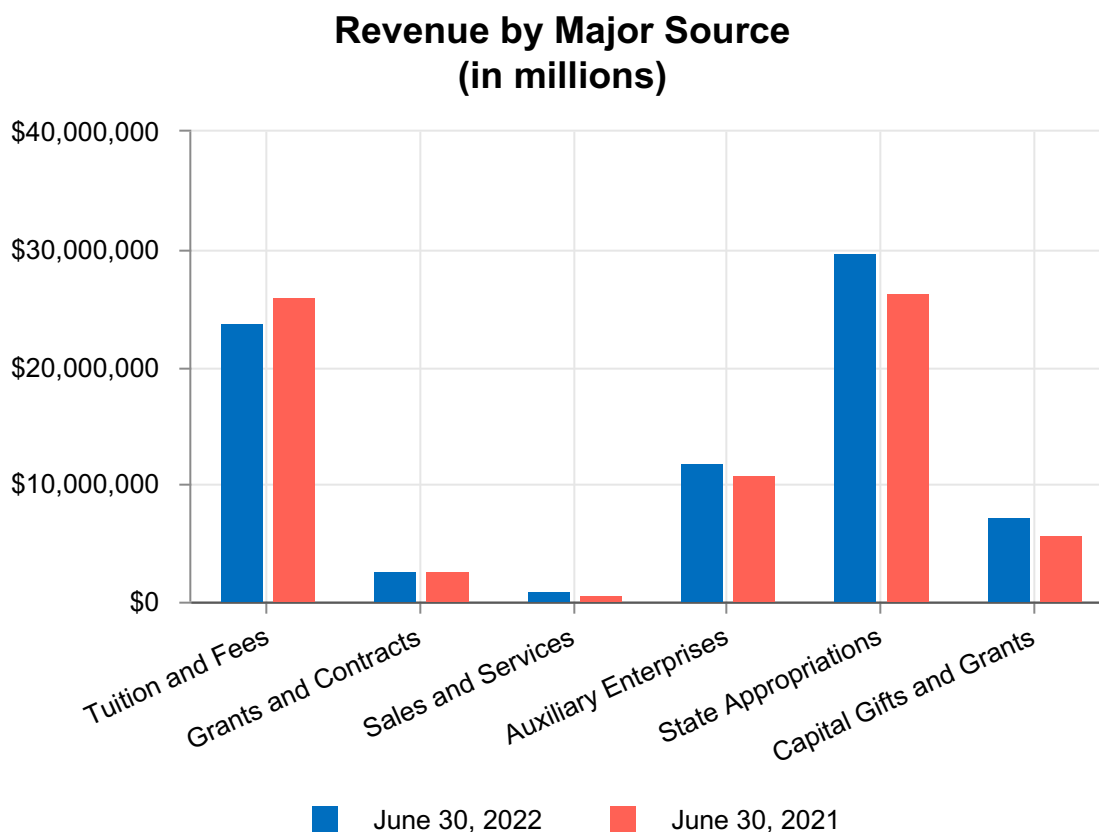
For the years ended June 30, 2022 and June 30, 2021, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 23,849,103	26,000,260	\$ (2,151,157)	(8.27)%
Grants and Contracts	2,741,637	2,686,073	55,564	2.07 %
Sales and Services	1,018,708	624,108	394,600	63.23 %
Auxiliary Enterprises	11,914,262	10,816,667	1,097,595	10.15 %
Other Operating Revenues	739,979	814,558	(74,579)	(9.16)%
Total Operating Revenues	\$ 40,263,689	\$ 40,941,666	\$ (677,977)	(1.66)%
State Appropriations	29,717,998	26,299,176	3,418,822	13.00 %
Grants and Contracts	37,164,787	28,513,733	8,651,054	30.34 %
Gifts	2,020,623	296,813	1,723,810	580.77 %
Investment Income	(2,450)	20,389	(22,839)	(112.02)%
Other Nonoperating Revenues	(39,382)	(16,850)	(22,532)	133.72 %
Total Nonoperating Revenues	\$ 68,861,576	\$ 55,113,261	\$ 13,748,315	24.95 %
State Capital Gifts and Grants	7,236,425	5,792,527	1,443,898	24.93 %
Total Capital Gifts and Grants	\$ 7,236,425	\$ 5,792,527	\$ 1,443,898	24.93 %
Total Revenues	\$ 116,361,690	\$ 101,847,454	\$ 14,514,236	14.25 %

Revenues by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



Revenue by major source for the years ended June 30, 2022 and June 30, 2021 is depicted by the following chart:



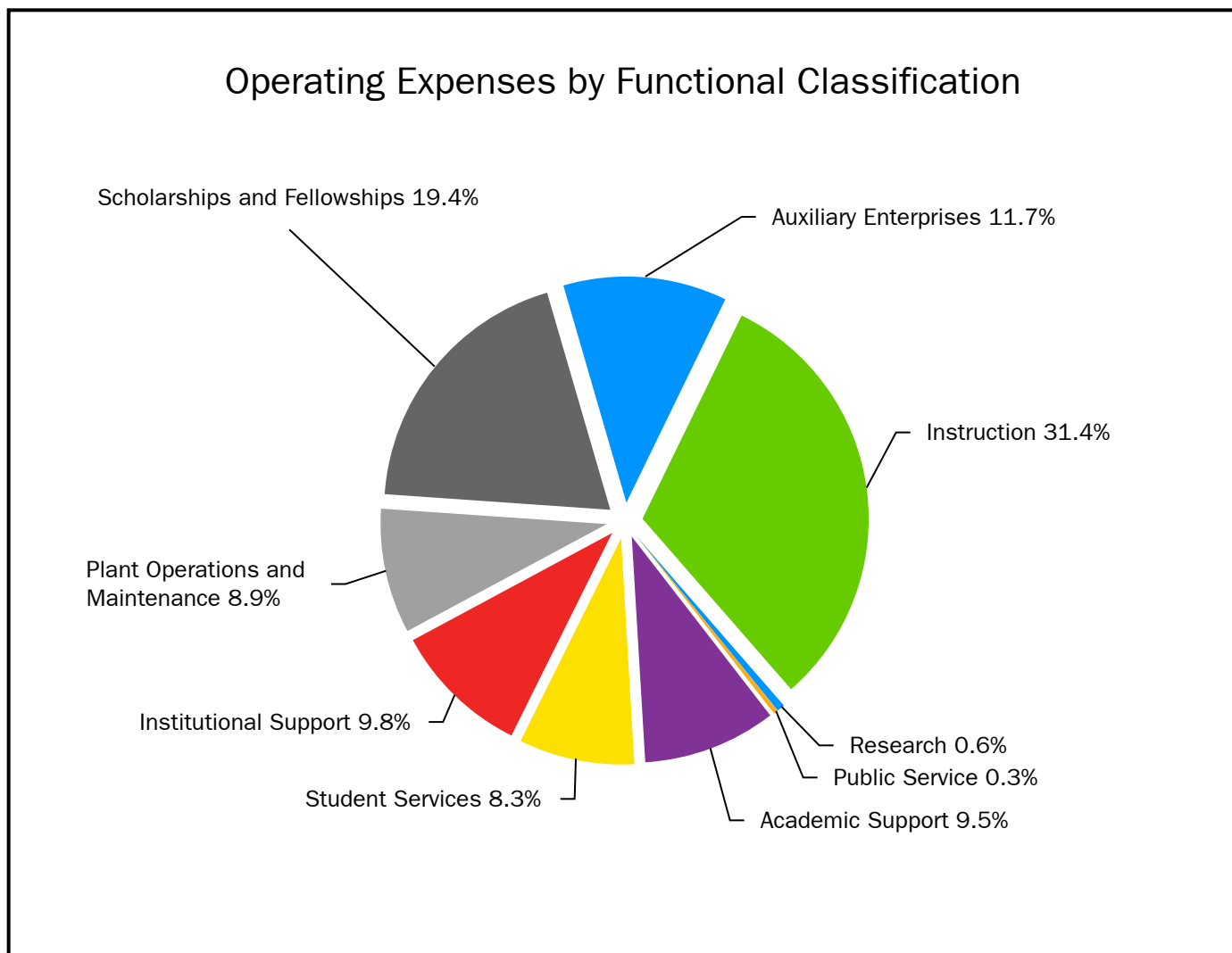
Expenses

For the years ended June 30, 2022 and June 30, 2021, expenses by functional classification were as follows:

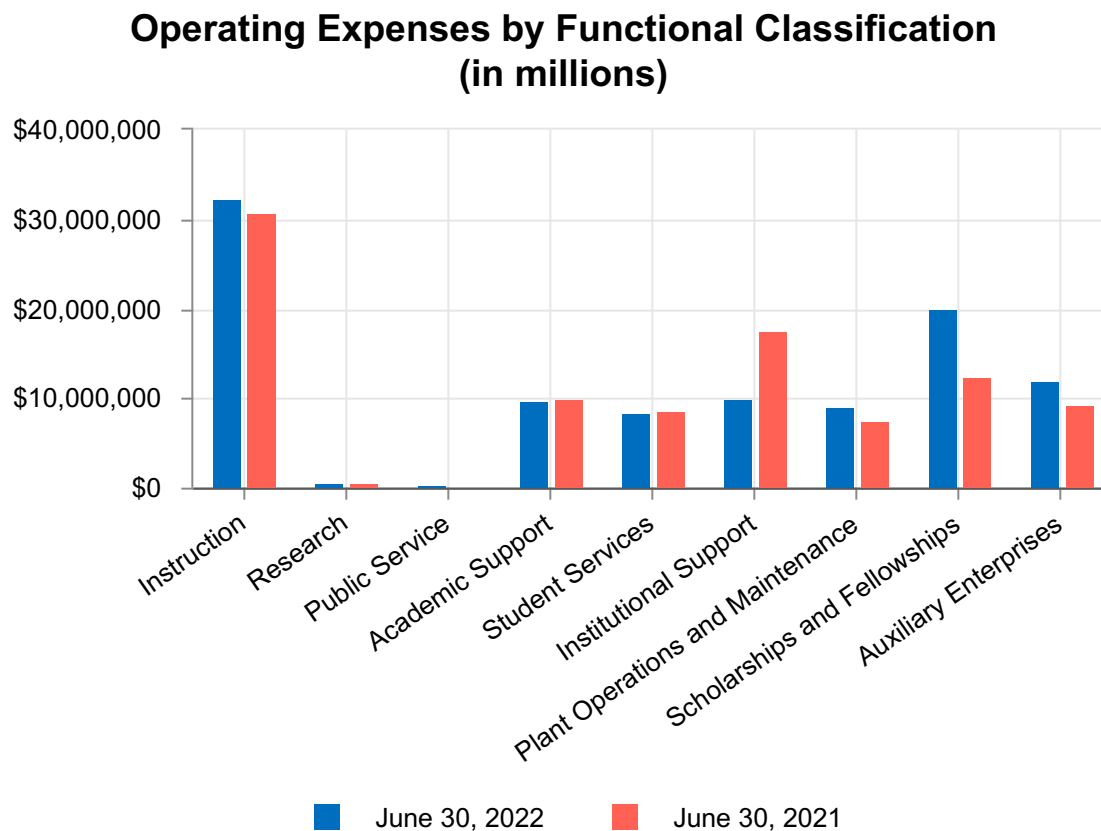
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
Instruction	\$ 32,383,130	\$ 30,843,089	\$ 1,540,041	4.99 %
Research	599,826	644,036	(44,210)	(6.86)%
Public Service	345,275	218,125	127,150	58.29 %
Academic Support	9,850,744	10,144,885	(294,141)	(2.90)%
Student Services	8,539,637	8,695,273	(155,636)	(1.79)%
Institutional Support	10,139,491	17,763,116	(7,623,625)	(42.92)%
Plant Operations and Maintenance	9,222,823	7,681,432	1,541,391	20.07 %
Scholarships and Fellowships	20,017,695	12,510,213	7,507,482	60.01 %
Auxiliary Enterprises	12,094,982	9,282,292	2,812,690	30.30 %
Total Operating Expenses	\$ 103,193,603	\$ 97,782,461	\$ 5,411,142	5.53 %
Interest Expense	2,314,598	2,281,864	32,734	1.43 %
Total Nonoperating Expenses	\$ 2,314,598	\$ 2,281,864	\$ 32,734	1.43 %
Total Expenses	\$ 105,508,201	\$ 100,064,325	\$ 5,443,876	5.44 %

Total expenses were \$105,508,201 in fiscal year 2022, an increase of \$5,443,876 compared to fiscal year 2021. Scholarships and fellowships increased by \$7,507,482 because we spent more in HEERF funds than last year. Supplies and other services increased because we had more contract expenses related to facility maintenance, Laker Village refinance project, and other major repairs. These increases, however, were offset by a significant decrease in pension expense. TRS made significant assumption changes between last year and this year that decreased the net pension liability from \$41.3 million to \$14.7 million. This resulted in a decrease in pension expense.

The following chart depicts the fiscal year 2022 operating expenses by functional classification:

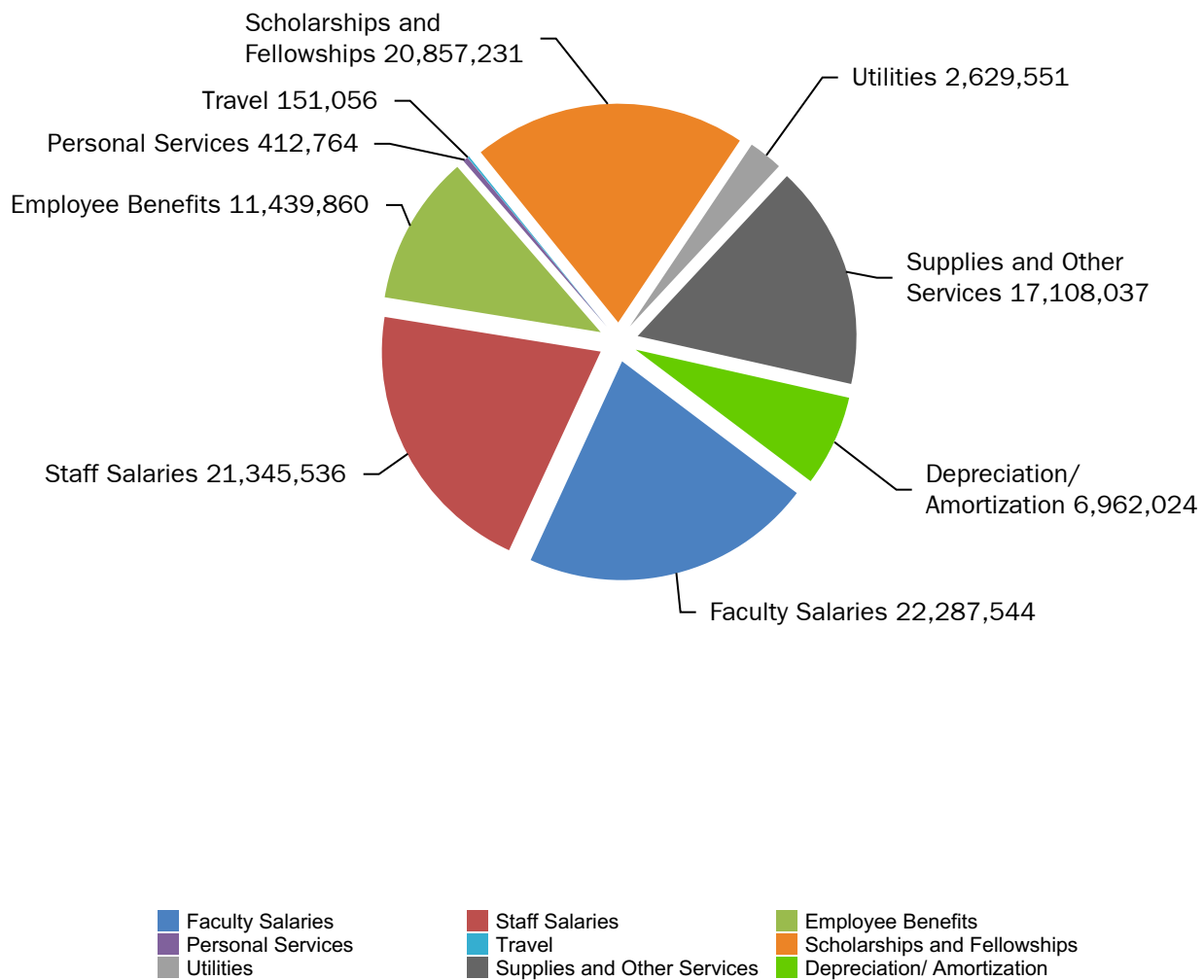


Operating expenses by functional classification for the years ended June 30, 2022 and June 30, 2021 are depicted by the following chart:

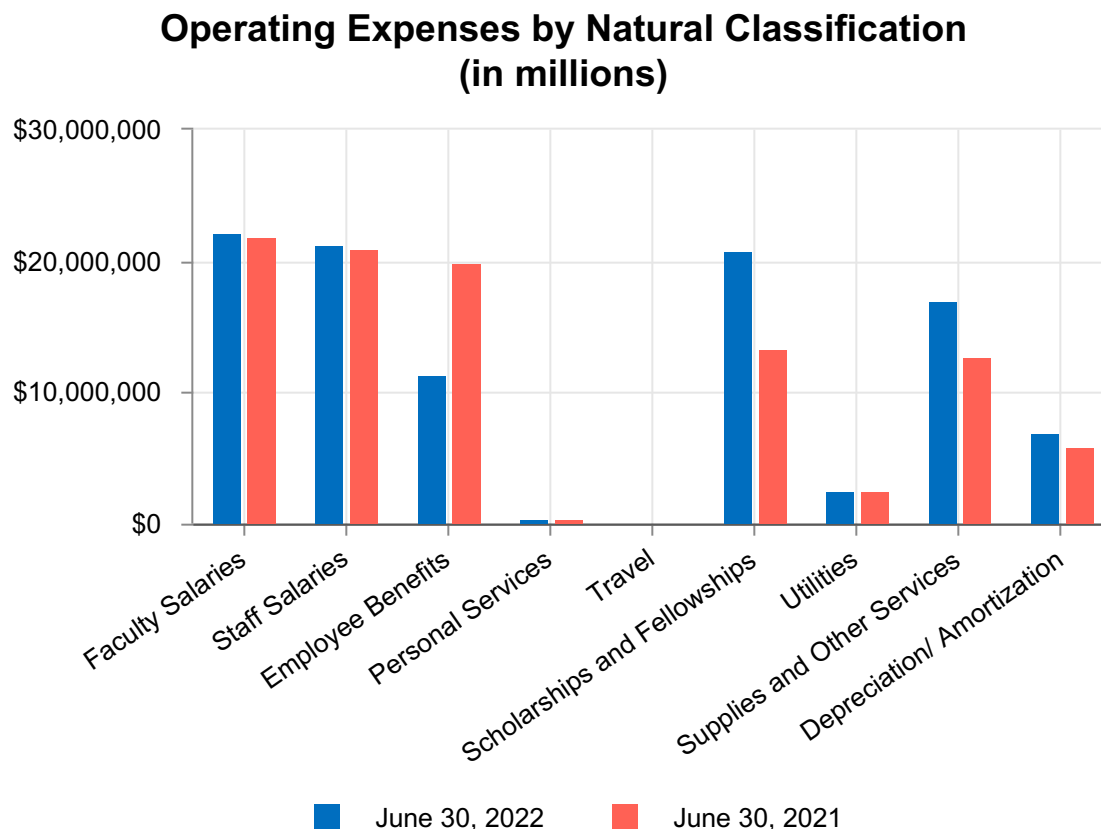


The following chart depicts the fiscal 2022 operating expenses by natural classification.

Operating Expenses by Natural Classification



Operating expenses by natural classification for the years ended June 30, 2022 and June 30, 2021 are depicted by the following chart:



Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2022 and 2021, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS		
	June 30, 2022	June 30, 2021
Cash Provided (Used) by:		
Operating Activities	\$ (59,482,877)	\$ (46,296,678)
Non-Capital Financing Activities	\$ 74,013,633	\$ 50,397,889
Capital and Related Financing Activities	\$ (7,069,762)	\$ (4,912,949)
Investing Activities	\$ (2,449)	\$ 20,390
NET CHANGE IN CASH	\$ 7,458,545	\$ (791,348)
Cash, beginning of year	10,642,775	11,434,123
CASH, end of year	\$ 18,101,320	\$ 10,642,775

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2022 and June 30, 2021 were as follows:

CAPITAL ASSETS, net of accumulated depreciation and amortization	June 30, 2022	June 30, 2021	Increase (Decrease)	% Change
Land	\$ 2,416,732	2,416,732	\$ —	0.00 %
Construction Work-in-Progress	91,408	—	91,408	100.00 %
Infrastructure	1,043,600	1,095,207	(51,607)	(4.71)%
Building and Building Improvements	112,832,746	111,712,976	1,119,770	1.00 %
Facilities and Other Improvements	23,850	31,079	(7,229)	(23.26)%
Equipment	2,694,505	1,800,509	893,996	49.65 %
Library Collections	1,074,714	1,190,129	(115,415)	(9.70)%
Capital Assets, net of accumulated depreciation and amortization	\$ 120,177,555	\$ 118,246,632	\$ 1,930,923	1.63 %

For the year ended June 30, 2022, the University retired library collections that were no longer relevant and adjusted value for leased assets by removing the 10% residual value not applicable per Business Procedures Manual Section 7.1.6. The mini central energy plant project managed by GSFIC was completed. GSFIC transferred capital additions valued at \$7,236,425 to the University.

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

Long Term Liabilities

Clayton State University had long-term liabilities of 59,657,032 of which 3,664,889 was reflected as a current liability at June 30, 2022.

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

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, leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Data from the National Student Clearinghouse Research Center (Clearinghouse) shows that college attendance continues to decline. Unfortunately, Clayton State University is among institutions affected by the national enrollment trend. Higher Education is also grappling with the effects of rising inflation. To cope with these challenges, Clayton State continues to evaluate its value proposition, marketing strategies, and program offerings to attract more students, faculty and staff.

Although we anticipate a decrease in revenues for the upcoming fiscal year, we are confident that we have the measures in place to manage cost without compromising service offerings to our students. Overall, Clayton State's economic outlook is positive. The University will continue to monitor its operations and look for cost containment opportunities to ensure an ongoing stable financial position.

Requests for Information

The financial statements are designed to provide a general overview of the University's finances. Questions concerning any of the information provided should be addressed to the University's Controller at 2000 Clayton State Boulevard Morrow, GA 30260.

Financial Statements (GAAP Basis)

CLAYTON STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Clayton State University
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 16,443,305
Cash and Cash Equivalents (Externally Restricted)	1,658,015
Accounts Receivable, net	
Federal Financial Assistance	1,110,773
Affiliated Organizations	707,216
Other	1,630,906
Inventories	2,421
Prepaid Items	163,764
Total Current Assets	<u>21,716,400</u>
Non-Current Assets	
Accounts Receivable, net	
Affiliated Organizations	1,655,106
Due From USO - Capital Liability Reserve Fund	578,205
Capital Assets, net	120,177,555
Intangible Right-to-Use Assets, net	59,587
Total Non-Current Assets	<u>122,470,453</u>
TOTAL ASSETS	<u>144,186,853</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>\$ 21,425,074</u>

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Clayton State University
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 2,599,337
Salaries Payable	301,254
Benefits Payable	120,788
Contracts Payable	6,581
Retainage Payable	41,690
Advances (Including Tuition and Fees)	2,528,337
Deposits	69,779
Deposits Held for Other Organizations	36,999
Notes Payable	2,381,347
Lease Purchase Obligations - External	19,042
Compensated Absences	1,264,500
Total Current Liabilities	9,369,654
Non-Current Liabilities	
Notes Payable	54,792,461
Lease Purchase Obligations - External	39,055
Compensated Absences	1,160,627
Net Other Post Employment Benefits Liability	61,657,100
Net Pension Liability	14,715,287
Total Non-Current Liabilities	132,364,530
TOTAL LIABILITIES	141,734,184
DEFERRED INFLOWS OF RESOURCES	42,789,151
NET POSITION	
Net Investment in Capital Assets	52,653,821
Restricted for:	
Nonexpendable	1,650,680
Expendable	7,335
Unrestricted (Deficit)	(73,223,244)
TOTAL NET POSITION	\$ (18,911,408)

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	Clayton State University
OPERATING REVENUES	
Student Tuition and Fees (net)	\$ 23,849,103
Grants and Contracts	
Federal	2,305,255
State	116,240
Other	320,142
Sales and Services	1,018,708
Rents and Royalties	5,701
Auxiliary Enterprises	
Residence Halls	6,735,243
Bookstore	210,299
Food Services	1,773,878
Parking/Transportation	433,851
Health Services	523,894
Intercollegiate Athletics	1,935,270
Other Organizations	301,827
Other Operating Revenues	734,278
Total Operating Revenues	40,263,689
OPERATING EXPENSES	
Faculty Salaries	22,287,544
Staff Salaries	21,345,536
Employee Benefits	11,439,860
Other Personal Services	412,764
Travel	151,056
Scholarships and Fellowships	20,857,231
Utilities	2,629,551
Supplies and Other Services	17,108,037
Depreciation and Amortization	6,962,024
Total Operating Expenses	103,193,603
Operating Income (Loss)	(62,929,914)

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	Clayton State University
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	\$ 29,717,998
Grants and Contracts	
Federal	36,117,572
Other	1,047,215
Gifts	2,020,623
Investment Loss	(2,450)
Interest Expense	(2,314,598)
Other Nonoperating Revenues (Expenses)	(39,382)
Net Nonoperating Revenues	66,546,978
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	3,617,064
Capital Grants and Gifts	
State	7,236,425
Total Other Revenues, Expenses, Gains or Losses	7,236,425
Change in Net Position	10,853,489
Net Position, Beginning of Year	(29,764,897)
Net Position, End of Year	<u><u>\$ (18,911,408)</u></u>

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	Clayton State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 37,027,519
Grants and Contracts (Exchange)	2,948,257
Payments to Suppliers	(34,607,349)
Payments to Employees	(43,982,170)
Payments for Scholarships and Fellowships	(20,857,231)
Other Payments	(11,903)
Net Cash Used by Operating Activities	(59,482,877)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	29,717,998
Gifts and Grants Received for Other Than Capital Purposes	44,327,980
Other Non-Capital Financing Payments	(32,345)
Net Cash Flows Provided by Non-Capital Financing Activities	74,013,633
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital and Intangible Right-to-Use Assets	(1,837,859)
Principal Paid on Capital Debt and Leases	(2,586,113)
Interest Paid on Capital Debt and Leases	(2,645,790)
Net Cash Used by Capital and Related Financing Activities	(7,069,762)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Loss	(2,449)
Net Cash Used by Investing Activities	(2,449)
Net Increase in Cash and Cash Equivalents	7,458,545
Cash and Cash Equivalents, Beginning of Year	10,642,775
Cash and Cash Equivalents, End of Year	\$ 18,101,320

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	Clayton State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (62,929,914)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	6,962,024
Change in Assets and Liabilities:	
Receivables, net	(620,484)
Inventories	(969)
Prepaid Items	(5,489)
Accounts Payable	46,137
Salaries Payable	16,846
Benefits Payable	(16,869)
Contracts Payable	6,581
Retainage Payable	41,690
Deposits	24,162
Advances (Including Tuition and Fees)	395,355
Other Liabilities	5,443
Funds Held for Others	(11,902)
Compensated Absences	(133,926)
Net Pension Liability	(26,589,617)
Other Post-Employment Benefit Liability	(3,446,224)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	25,455,303
Deferred Outflows of Resources	1,318,976
Net Cash Used by Operating Activities	<u>(59,482,877)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	<u>\$ 733,032</u>
Current Year Accruals Related to Capital Financing Activities	<u>\$ 807,103</u>
Gift of Capital Assets	<u>\$ 6,929,986</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (7,037)</u>
Accrual of Capital Asset Related Payables	<u>\$ 18,038</u>
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	<u>\$ 331,192</u>

The notes to the financial statements are an integral part of this statement.

CLAYTON STATE UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ —
Receivables	
Other	566,685
Total Assets	<u>566,685</u>
LIABILITIES	
Cash Overdraft	142,275
Accounts Payable	1,500
Advances	146,228
Deposits held for other organizations	2,000
Other Liabilities	<u>56,832</u>
Total Liabilities	<u>348,835</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u><u>\$ 217,850</u></u>

CLAYTON STATE UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Federal Financial Aid	\$ 29,041,498
State Financial Aid	7,271,631
Other Financial Aid	667,833
Clubs and Other Organizations Fund Raising	<u>417,570</u>
Total Additions	<u>37,398,532</u>
DEDUCTIONS	
Scholarships and Other Student Support	36,980,962
Student Organizations Support	<u>284,697</u>
Total Deductions	<u>37,265,659</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>132,873</u>
Net Position, Beginning of Year	<u>84,977</u>
Net Position, End of Year	<u><u>\$ 217,850</u></u>

Notes to the Financial Statements

CLAYTON STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Clayton State University (University) 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 University 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 University does not have the right to sue/be sued without recourse to the State. The University'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 University is not legally separate from the State. Accordingly, the University 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 of the State that is attributable to the transactions of the University. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022, 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/annual-comprehensive-financial-reports.

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 University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The University'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 University reports the following fiduciary fund:

- Custodial Funds - Accounts for activities resulting from the University acting as an agent or fiduciary for various governments, companies, clubs or individuals.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which postponed the effective date of Statement No. 87 to fiscal year 2022. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The adoption of this statement did not result in a restatement of the net position of the business-type activities.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 89 to fiscal year 2022. The objectives of this statement are to both enhance the relevance and comparability of information about capital assets and the cost of borrowing and to simplify accounting for interest costs incurred before the end of a construction period. The adoption of this statement does not have a significant impact on the financial statements and will be applied prospectively.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for fiscal years beginning after June 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 92 to fiscal year 2022. The objective of this statement is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements. The adoption of this statement does not have a significant impact on the financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* effective for years beginning after June 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 93 to fiscal year 2022. This statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. This statement also identifies appropriate benchmark interest rates for hedging derivative instruments. The adoption of this statement does not have a significant impact on the financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* effective for fiscal years beginning after December 15, 2021. This statement establishes a new designation of the acronym for state and local government annual financial statements, the Annual Comprehensive Financial Report (ACFR). The adoption of this statement resulted in changes to the naming convention used throughout the report, but has no impact on the financial information provided.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, effective for certain elements of the requirement effective upon issuance. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation. The adoption of this statement does not have a significant impact on the 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 (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available if there is a penalty for early withdrawal. Short-term investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-term investments restricted as to use by a third party are reported as externally restricted.

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 University accounts for its investments at fair value. Changes in the fair 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, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Board of Regents Diversified Fund for Foundations are included as investments. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Investments restricted as to use by a third party are reported as externally restricted.

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 of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the average-cost basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University'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 will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Intangible Right-To-Use Assets

The University leases certain academic spaces, administrative offices, and equipment under lease agreements. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Leases, as a lessee, are included in intangible right-to-use assets and lease obligations on the Statement of Net Position. Financed leases, which transfer ownership, are included in capital assets and notes payable on the Statement of Net Position.

An intangible right-to-use asset represents the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease agreement. Intangible right-to-use assets and lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

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 lease obligations. All USG institutions participating in the PPV program financed the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. 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 lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

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 others result primarily from escheated funds that are the result of unclaimed property.

Claims and Judgments

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the University knows that a site is polluted, and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net

Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) 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 position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB) and Net OPEB Liability

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability 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 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 pension plans' fiduciary net position, additions to/deductions from the plans 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 employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets and intangible right-to-use assets. To the extent debt has been incurred but not yet expended for capital assets or intangible right-to-use 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 as discussed previously in Note 1 - Capital Assets section

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. The University 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 University 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 University, 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 University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The University, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating 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.
- Nonoperating 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 Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating 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 University, 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 nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$11,210,175.

Restatement of Prior Year Net Position

In fiscal year 2022, the University adopted GASB Statement No. 87, which, as previously mentioned, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease obligation and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a lessee, the result is an increase in the liability (lease obligation) of \$59,587 and an increase in the intangible right-to-use assets of \$59,587 for business-type activities. GASB Statement No. 87 requires a different accounting treatment for contracts that transfer ownership of the underlying asset to the purchaser by the end of the contract and does not contain termination options. These contracts, also known as finance purchases, are now accounted for as notes payable. For Clayton State, implementation of GASB 87 meant transferring all liability for public private ventures previously accounted for as lease obligations to notes payable. The July 1, 2021 balance for notes payable was restated to reflect \$59,460,502; the beginning balance for lease obligations was restated to reflect a decrease by the same amount. These restatements resulted in a \$0 net change to the fiscal year 2022 net position beginning balance. These changes are in accordance with generally accepted accounting principles.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2022 are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	16,443,305
Cash and Cash Equivalents (Externally Restricted)		1,658,015

Statement of Fiduciary Net Position

Cash and Cash Equivalents		(142,275)
	\$	<u>17,959,045</u>

Cash on hand, deposits and investments as of June 30, 2022 consist of the following:

Cash on Hand	\$	4,303
Deposits with Financial Institutions		17,287,339
Investments		667,403
	\$	<u>17,959,045</u>

A. 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 University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) 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 University 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, 2022, the bank balances of the University's deposits totaled \$17,423,277. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the USG. Of these deposits, \$0 were exposed to custodial credit risk.

B. Investments

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

1. Short-Term Fund

The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and four years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-term Fund at June 30, 2022 was \$291,162, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.96 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 AA+ rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 43 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 University does not have a formal policy for managing interest rate risk for investments.

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment Pools						
Board of Regents						
Short-Term Fund	\$ 291,162					
Office of the State Treasurer						
Georgia Fund 1	376,241					
Total Investments	<u>\$ 667,403</u>					

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing credit quality risk for investments.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2022:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 3,161,748	15,460
Auxiliary Enterprises and Other Operating Activities	1,275,940	—
Federal Financial Assistance	1,110,773	—
Georgia Student Finance Commission	—	481,333
Georgia State Financing and Investment Commission	311,141	—
Due from Affiliated Organizations	2,362,322	—
Due from Component Units	—	—
Due From Other USG Institutions	628,605	—
Other	84,400	114,377
	8,934,929	611,170
Less: Allowance for Doubtful Accounts	3,252,723	44,485
Net Accounts Receivable	<u>\$ 5,682,206</u>	<u>\$ 566,685</u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2022:

Merchandise for Resale	<u>2,421</u>
Total	<u>\$ 2,421</u>

Note 5 Notes and Loans Receivable

As of June 30, 2022, Clayton State University had no outstanding Notes/Loan Receivables.

Note 6 Capital and Intangible Right-to-Use Assets

Changes in capital assets for the year ended June 30, 2022 are shown below:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 2,416,732	\$ —	\$ —	\$ 2,416,732
Construction Work-in-Progress	—	91,408	—	91,408
Total Capital Assets Not Being Depreciated	2,416,732	91,408	—	2,508,140
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	1,146,814	—	—	1,146,814
Building and Building Improvements	189,655,815	7,236,425	—	196,892,240
Facilities and Other Improvements	150,442	—	—	150,442
Equipment	10,157,259	1,393,461	58,456	11,492,264
Library Collections	7,522,141	161,202	2,461,532	5,221,811
Total Capital Assets Being Depreciated/Amortized	208,632,471	8,791,088	2,519,988	214,903,571
Less: Accumulated Depreciation/Amortization				
Infrastructure	51,607	51,607	—	103,214
Building and Building Improvements	77,942,839	6,116,655	—	84,059,494
Facilities and Other Improvements	119,363	7,229	—	126,592
Equipment	8,356,750	492,428	51,419	8,797,759
Library Collections	6,332,012	276,617	2,461,532	4,147,097
Total Accumulated Depreciation/Amortization	92,802,571	6,944,536	2,512,951	97,234,156
Total Capital Assets, Being Depreciated/Amortized, Net	115,829,900	1,846,552	7,037	117,669,415
Capital Assets, net	<u>\$ 118,246,632</u>	<u>\$ 1,937,960</u>	<u>\$ 7,037</u>	<u>\$ 120,177,555</u>

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC or funded from alternate sources. For the year ended June 30, 2022, the academic core/mini central energy plant project managed by GSFIC was completed. Consequently, GSFIC transferred capital additions to the University valued at \$6,929,986. The University has a campus infrastructure project managed by GSFIC but no construction in progress has been reported on GSFIC's books. In addition, the University had construction in progress of \$91,408 related to the Laker Village housing building 300, which is a project managed and funded by the University.

Intangible Right-to-Use Assets

Changes in intangible right-to-use assets for the year ended June 30, 2022 are shown below:

	(Restated) Beginning Balances July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022
Intangible Right-to-use Assets				
Building and Building Improvements	280,442	—	280,442	—
Equipment	77,075	—	—	77,075
Total Right-to-Use Being Amortized, Net	357,517	—	280,442	77,075
Less: Accumulated amortization				
Equipment	—	17,488	—	17,488
Total Intangible Right-to-Used Assets Being Amortized, Net	—	17,488	—	17,488
Intangible Right-to-use Assets, Net	<u>\$ 357,517</u>	<u>\$ (17,488)</u>	<u>\$ 280,442</u>	<u>\$ 59,587</u>

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2022:

	Current Liabilities
Prepaid Tuition and Fees	\$ 2,041,116
Other - Advances	487,221
Totals	<u>\$ 2,528,337</u>

Fiduciary fund advances in the amount of \$146,228 consists of student support received prior to eligibility requirements being met.

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2022 was as follows:

	Restated Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Leases					
Lease Obligations	\$ 357,517	\$ —	\$ 299,420	\$ 58,097	\$ 19,042
Other Liabilities					
Compensated Absences	2,559,053	1,594,937	1,728,863	2,425,127	1,264,500
Notes Payable	59,460,502	—	2,286,694	57,173,808	2,381,347
Total	62,019,555	1,594,937	4,015,557	59,598,935	3,645,847
Total Long-Term Obligations	<u>\$ 62,377,072</u>	<u>\$ 1,594,937</u>	<u>\$ 4,314,977</u>	<u>\$ 59,657,032</u>	<u>\$ 3,664,889</u>

See Note 14, Retirement Plans, for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post employment benefits liability.

Due to the adoption of GASB 87, the beginning balance of \$59,460,502 for lease obligations was restated. See Note 1 - New Accounting Pronouncements for additional information related to these transactions.

Notes Payable

Financing Lease Agreements

The University is obligated under various multi-year financing lease agreements for the acquisition or use of real property and equipment, whereby the asset(s) transfers ownership at the end of the agreement.

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 University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to financing lease agreements for fiscal year 2022 were \$2,286,694 and \$2,641,988, respectively. Interest rates range from 3.917% to 4.794%..

The University has \$57,173,808 in outstanding notes payable due to affiliated organizations and other related party organizations for financing lease agreements.

The following is a summary of the carrying value of assets held under financing lease agreements at June 30, 2022:

Description	Gross Amount (+)	Less: Accumulated Amortization (-)	Net Assets Held Under Financing Lease Arrangements at June 30, 2022 (=)	Outstanding Balances per Lease Schedules at June 30, 2022
Finance Buildings and Building Improvements	80,588,876	33,138,860	47,450,016	57,173,808
Total Assets Held Under Finance Lease	<u>\$ 80,588,876</u>	<u>\$ 33,138,860</u>	<u>\$ 47,450,016</u>	<u>\$ 57,173,808</u>

The following schedule lists the pertinent information for each of the University's financing lease agreements:

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
Laker Hall	CSU Foundation	\$ 20,166,921	21 years	January 2018	June 2038	\$ 15,816,854 (1)
Student Activity Center	CSU Foundation	20,766,948	21 years	January 2018	June 2038	12,871,954 (1)
Laker Village	CSU Foundation	30,140,117	30 years	August 2008	June 2042	28,485,000 (1)
Total Leases		<u>\$ 71,073,986</u>				<u>\$ 57,173,808</u>

(1) These financing lease agreements are related party transactions.

Below is the annual debt service related to the outstanding notes at June 30, 2022.

	Principal	Interest
Year Ending June 30:		
2023	\$ 2,381,346	\$ 2,542,394
2024	2,370,427	2,440,632
2025	2,500,299	2,336,300
2026	2,631,276	2,226,373
2027	2,724,981	2,111,671
2028 through 2032	14,341,646	8,626,506
2033 through 2037	17,602,908	4,739,997
2038 through 2042	<u>12,620,925</u>	<u>1,109,619</u>
Total Minimum Lease Payments	<u>\$ 57,173,808</u>	<u>\$ 26,133,492</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2022, consisted of the following:

Deferred Outflow of Resources

Deferred Outflows on Defined Benefit Pension Plans (See Note 14)	\$ 11,097,472
Deferred Outflows on OPEB Plan (See Note 17)	10,327,602
Total Deferred Outflows of Resources	\$ 21,425,074

Deferred Inflow of Resources

Deferred Gain on Debt Refunding	\$ 10,333,377
Deferred Inflows on Defined Benefit Pension Plans (See Note 14)	22,663,761
Deferred Inflows on OPEB Plan (See Note 17)	9,792,013
Total Deferred Inflows of Resources	\$ 42,789,151

Deferred Gain on Debt Refunding

In December 2017, the Clayton State Foundation re-funded the bonds associated with the Laker Hall and Student Activities building finance purchases and passed the perceived economic advantages of the refunding to the University. At June 30, 2022, the institution recognized a deferred gain on debt refunding in the amount of \$244,629. The unamortized deferred gain on debt refunding at year end related to this transaction is \$8,602,129.

In April 2021, the Clayton State Foundation re-funded the bonds associated with the Laker Village building finance purchase and passed the perceived economic advantages of the refunding to the University. The net savings to the institution resulting from this transaction was \$1,839,452 for the difference in the cash flow requirements between the original lease and the revised lease. At June 30, 2022, the institution recognized a deferred gain on debt refunding in the amount of \$86,562. The unamortized deferred gain on debt refunding at year end related to this transaction is \$1,731,248.

Service Concessions Arrangements

At June 30, 2022, the University had no service concession arrangements that met the materiality threshold for discrete financial reporting.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2022 is as follows:

Net Investment in Capital Assets	\$ 52,653,821
Restricted for	
Nonexpendable	
Permanent Endowment	1,650,680
Expendable	
Federal Loans	7,335
Unrestricted	
Auxiliary Enterprises Operations	6,804,361
Reserve for Encumbrances	7,673,171
Capital Liability Reserve Fund	578,205
Other Unrestricted	(88,278,981)
Sub-Total	\$ (73,223,244)
Total Net Position	\$ (18,911,408)

Other unrestricted net position is reduced by \$61,121,511 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan. Other unrestricted net position is also reduced by \$26,281,576 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources on defined benefit pension plans.

For fiscal year 2022, the institution's OPEB liability decreased by \$3,446,224. Pension liability also decreased by \$26,589,617 based on actuarial calculations. These changes, as well as changes in deferred inflow and outflow of resources related to OPEB and pensions, accounted primarily for the \$6,137,400 increase in unrestricted net position. The OPEB and pension balances are mostly funded through state appropriation and student tuition and fees that are subject to State surplus rules, which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2022 are as follows:

	Restated Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Net Investments in Capital Assets	\$ 47,937,732	\$ 11,188,168	\$ 6,472,079	\$ 52,653,821
Restricted Net Position	1,658,015	47,142,849	47,142,849	1,658,015
Unrestricted Net Position	(79,360,644)	69,258,223	63,120,823	(73,223,244)
Total Net Position	\$ (29,764,897)	\$ 127,589,240	\$ 116,735,751	\$ (18,911,408)

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University 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 \$74,028 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated on the total return concept. Annual payouts from the University's endowment funds are based on a spending policy which applies a payout rate of 4% to a moving average market value (the prior five years' market value as of December 31). 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 University uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

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

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2022. In addition to these encumbrances, the University had other significant unearned outstanding construction or renovation contracts in the amount of \$0 executed as of June 30, 2022. This amount is not reflected in the accompanying basic financial statements.

Note 13 Leases

Lease Obligations

The University leases facilities, equipment and other assets. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. 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 University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to leases for fiscal year 2022 were \$299,419 and \$3,802, respectively. Interest rates range from 0.34% - 2.26%. Currently, the institution does not have any outstanding lease obligations due to a related party organizations.

For the fiscal year 2022, the University did not make any residual guaranteed payment, variable payments based on performance, or termination penalties. Also, the institution did not make any payments related to leased facilities where these funds will be used for future improvements.

The following is a summary of the carrying values of intangible right-to-use assets held under lease at June 30, 2022:

Description	Gross Amount	Less: Accumulated Amortization	Net, Assets Held Under Leases at June 30, 2022	Outstanding Balance per Lease Schedules at June 30, 2022
	(+)	(-)	(=)	
Leased Equipment	357,517	297,929	59,588	58,097
Total Assets Held Under Lease	<u>\$ 357,517</u>	<u>\$ 297,929</u>	<u>\$ 59,588</u>	<u>\$ 58,097</u>

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

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
DS64i 3 station Special 2 Auto + Special- CIS	Neopost USA	\$ 19,171	5 years	September 2021	August 2025	\$ 14,594
IS-5500 PM Postage Equip.	Neopost USA	57,904	5 years	July 2021	June 2025	43,503
Fayette Instructional Site	Fayette County	280,442	1 year	July 2021	June 2022	—
Total Leases		<u>\$ 357,517</u>				<u>\$ 58,097</u>

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

Below are the future commitments related to the outstanding lease obligations as of June 30, 2022:

Year Ending June 30:	Principal	Interest
2023	\$ 19,043	\$ 170
2024	19,109	104
2025	19,174	38
2026	771	—
Total Minimum Lease Payments	<u>\$ 58,097</u>	<u>\$ 312</u>

Note 14. Retirement Plans

The University 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 University also provides one other retirement plan - the Regents Retirement Plan.

The significant retirement plans that the University 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 University 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 2022. The University's contractually required contribution rate for the year ended June 30, 2022 was 19.81% of the University annual payroll. The University's contributions to TRS totaled \$4,166,673 for the year ended June 30, 2022.

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, 2022 was 24.63% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The University's contributions to ERS totaled \$6,212 for the year ended June 30, 2022. 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, 2022, the University 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, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2021. At June 30, 2021, the University's TRS proportion was 0.165796%, which was an decrease of (0.004351)% from its proportion measured as of June 30, 2020. At June 30, 2021, the University's ERS proportion was 0.002212%, which was a increase of 0.000109% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of \$402,897 for TRS and \$8,463 for ERS. At June 30, 2022, the University 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	\$ 3,499,189	\$ —	\$ 1,224	\$ —
Changes of assumptions	2,838,083	—	14,899	—
Net difference between projected and actual earnings on pension plan investments	—	21,448,632	—	47,817
Changes in proportion and differences between contributions and proportionate share of contributions	568,258	1,167,313	2,933	—
Contributions subsequent to the measurement date	4,166,673	—	6,212	—
Total	<u>\$ 11,072,203</u>	<u>\$ 22,615,945</u>	<u>\$ 25,268</u>	<u>\$ 47,817</u>

The University'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, 2023. 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
2023	\$ (2,905,968)	\$ 1,557
2024	\$ (2,917,213)	\$ (5,925)
2025	\$ (4,468,706)	\$ (11,620)
2026	\$ (5,418,528)	\$ (12,773)
2027	\$ —	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 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 for service retirements and beneficiaries 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 improved 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, 2020 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 and the assumed annual rate of inflation.

Employees' Retirement System

Inflation 2.50%
Salary increases 3.00 – 6.75%, including inflation
Investment rate of return 7.00%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale used for both males and females while in active service. Post-retirement mortality rates were based on the Pub-2010 Family of Tables, with the MP-2019 projection scale applied generationally, as follows: service retirees – General Healthy Annuitant mortality table with further adjustments (set forward one year and adjusted 105% and 108% respectively for males and females); disability retirees – General Disabled Table (set back three years for males, and adjusted 103% and 106% for males and females, respectively); beneficiaries – General Contingent Survivors Table (set forward to two years for both males and females and adjusted 106% and 105% respectively).

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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	TRS Long-term expected real rate of return*	ERS target allocation	ERS Long-term expected real rate of return*
Fixed income	30.00 %	(0.80)%	30.00 %	(1.50)%
Domestic large equities	46.30 %	9.30 %	46.40 %	9.20 %
Domestic small equities	1.20 %	13.30 %	1.10 %	13.40 %
International developed market equities	11.50 %	9.30 %	11.70 %	9.20 %
International emerging market equities	6.00 %	11.30 %	5.80 %	10.40 %
Alternatives	5.00 %	10.60 %	5.00 %	10.60 %
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 7.00%, 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 University's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.25% for TRS and 7.00% for ERS, as well as what the University'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	\$ 39,499,720	\$ 14,663,550	\$ (5,687,977)

Employees' Retirement System:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$ 94,806	\$ 51,737	\$ 15,312

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 trsga.com/publications and 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 2022, 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 University and the covered employees made the required contributions of \$1,550,800 (9.24%) and \$1,007,013 (6.00%), respectively.

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

Note 15 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 2022, 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 University'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 University 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 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 University, 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, 2022.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

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

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2022, 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 University's membership in the Plan consisted of the following at June 30, 2022:

Active Employees	563
Retirees or Beneficiaries Receiving Benefits	219
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	<u>55</u>
Total	<u><u>837</u></u>

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

The University 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 2022 plan year, the employer rate was approximately 88% of the total health insurance cost for eligible retirees and the retiree rate was approximately 12%. 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 2022, the University contributed \$1,743,858 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, 2022, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2021 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2021. At June 30, 2021, the University's proportion was 1.225037% which was an increase of 0.004438% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the University recognized OPEB expense of \$2,243,821. At June 30, 2022, the University 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	\$ 3,319,536	\$ 210,945
Changes of assumptions	5,085,416	8,503,780
Net difference between projected and actual earnings on OPEB plan investments	—	152,899
Changes in proportion and differences between contributions and proportionate share of contributions	178,792	924,389
Contributions subsequent to the measurement date	1,743,858	—
Total	<u>\$ 10,327,602</u>	<u>\$ 9,792,013</u>

The University's contributions subsequent to the measurement date of \$1,743,858 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, 2023. 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:

2023	\$ (1,154,311)
2024	\$ (570,114)
2025	\$ (513,884)
2026	\$ (296,425)
2027	\$ 737,853
Thereafter	\$ 588,612

Actuarial assumptions

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of May 1, 2021 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	Discount Rate as of 6/30/2021 2.18% GO 20-Municipal Bond Index Rate Discount Rate as of 6/30/2020 2.21% from Bond Buyers GO 20- Municipal Bond Index Long-term Rate of Return 4.37% General Inflation 2.10% Salary Increase 3.75%
Mortality Rates	Pub - 2010 for Teachers (headcount weighted) projected with a scale MP-2020
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.4%
Medicare Eligible	4%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2021 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 with the exception of the disability and salary increase assumptions. These assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which covered the five year period ending June 30, 2018.

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Mortality improvement scale was updated from MP-2019 to MP-2020.
- The discount rate was updated from 2.21% as of June 30, 2020 to 2.18% as of June 30, 2021.
- The disability rates were changed to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The salary scale was changed from 4.00% to 3.75% to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The HRA annual increase assumption was updated from 4.50% to 4.00% to reflect general long term HRA employer marketplace trends that show HRA amounts increasing slightly lower than long term medical trends but higher than inflation.
- The Expected Return on Assets was changed from 3.75% to 4.37%.

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 May 1, 2021 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	0.69 %	70 %
Equity Allocation	4.21 %	30 %

Discount rate

The Plan's projected fiduciary net position at the end of 2025 is \$0 based on the valuation completed for the fiscal year ending June 30, 2021. 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 2025, therefore, the long-term expected rate of return on Plan investments of 4.37% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021. 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 2.18% 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 University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.18%) or 1% higher (3.18%) than the current discount rate (2.18%):

	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
Proportionate Share of the Net OPEB Liability	\$ 74,631,343	\$ 61,657,100	\$ 51,652,045

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

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share 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	\$ 52,025,899	\$ 61,657,100	\$ 74,335,150
Pre-Medicare Eligible	5.4% decreasing to 3.5%	6.4% decreasing to 4.5%	7.4% decreasing to 5.5%
Medicare Eligible	3%	4%	5%

OPEB plan fiduciary net position:

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

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2022 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 20,157,383	\$ 2,161,988	\$ 6,232,673	\$ 11,173	\$ 66,199
Research	54,126	272,802	74,362	—	7,163
Public Service	32,657	119,850	30,761	84	962
Academic Support	1,951,905	3,195,969	1,501,899	4,094	10,779
Student Services	16,226	4,997,304	1,652,820	6,669	20,279
Institutional Support	72,247	5,754,588	195,893	305,231	24,335
Plant Operations and Maintenance	—	2,706,181	1,059,301	—	1,935
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	3,000	2,136,854	692,151	85,513	19,404
Total Operating Expenses	<u>\$ 22,287,544</u>	<u>\$ 21,345,536</u>	<u>\$ 11,439,860</u>	<u>\$ 412,764</u>	<u>\$ 151,056</u>

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ —	\$ 98,290	\$ 2,173,512	1,481,912	\$ 32,383,130
Research	1,500	572	159,016	30,285	599,826
Public Service	773	—	160,188	—	345,275
Academic Support	7,344	908	2,690,426	487,420	9,850,744
Student Services	61,430	6,797	993,853	784,259	8,539,637
Institutional Support	50,912	42,708	3,570,300	123,277	10,139,491
Plant Operations and Maintenance	—	1,681,507	2,707,571	1,066,328	9,222,823
Scholarships and Fellowships	20,017,695	—	—	—	20,017,695
Auxiliary Enterprises	717,577	798,769	4,653,171	2,988,543	12,094,982
Total Operating Expenses	<u>\$ 20,857,231</u>	<u>\$ 2,629,551</u>	<u>\$ 17,108,037</u>	<u>\$ 6,962,024</u>	<u>\$ 103,193,603</u>

Required Supplementary Information

**CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2022	\$ 6,212	\$ 6,212	\$ —	\$ 25,223	24.63%
	June 30, 2021	\$ 13,078	\$ 13,078	\$ —	\$ 53,034	24.66%
	June 30, 2020	\$ 13,078	\$ 13,078	\$ —	\$ 53,034	24.66%
	June 30, 2019	\$ 12,884	\$ 12,884	\$ —	\$ 51,994	24.78%
	June 30, 2018	\$ 12,900	\$ 12,900	\$ —	\$ 51,994	24.81%
	June 30, 2017	\$ 12,647	\$ 12,647	\$ —	\$ 50,975	24.81%
	June 30, 2016	\$ 18,077	\$ 18,077	\$ —	\$ 56,106	32.22%
	June 30, 2015	\$ 13,183	\$ 13,183	\$ —	\$ 57,729	22.84%
	June 30, 2014	\$ 11,907	\$ 11,907	\$ —	\$ 57,736	20.62%
	June 30, 2013	\$ 7,699	\$ 7,699	\$ —	\$ 55,000	14.00%
Teachers' Retirement System	June 30, 2022	\$ 4,166,673	\$ 4,166,673	\$ —	\$ 21,033,181	19.81%
	June 30, 2021	\$ 4,090,773	\$ 4,090,773	\$ —	\$ 21,462,610	19.06%
	June 30, 2020	\$ 4,659,410	\$ 4,659,410	\$ —	\$ 22,040,728	21.14%
	June 30, 2019	\$ 4,463,934	\$ 4,463,934	\$ —	\$ 21,358,536	20.90%
	June 30, 2018	\$ 3,354,290	\$ 3,354,290	\$ —	\$ 19,954,138	16.81%
	June 30, 2017	\$ 2,715,173	\$ 2,715,173	\$ —	\$ 19,027,135	14.27%
	June 30, 2016	\$ 2,651,797	\$ 2,651,797	\$ —	\$ 18,543,983	14.30%
	June 30, 2015	\$ 2,183,848	\$ 2,183,848	\$ —	\$ 18,430,429	11.85%
	June 30, 2014	\$ 2,214,062	\$ 2,214,062	\$ —	\$ 18,090,504	12.24%
	June 30, 2013	\$ 1,996,588	\$ 1,996,588	\$ —	\$ 17,498,688	11.41%

CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST EIGHT YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered 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	June 30, 2022	0.002212%	\$ 51,737	\$ 53,034	97.55%	87.62%
	June 30, 2021	0.002103%	\$ 88,641	\$ 53,034	167.14%	76.21%
	June 30, 2020	0.002063%	\$ 85,130	\$ 51,994	163.73%	76.74%
	June 30, 2019	0.002038%	\$ 83,783	\$ 51,994	161.14%	76.68%
	June 30, 2018	0.002078%	\$ 84,395	\$ 50,975	165.56%	76.33%
	June 30, 2017	0.002741%	\$ 129,661	\$ 56,106	231.10%	72.34%
	June 30, 2016	0.002355%	\$ 95,410	\$ 57,729	165.27%	81.44%
	June 30, 2015	0.001814 %	\$ 68,036	\$ 57,736	117.84%	77.99 %
Teachers Retirement System	June 30, 2022	0.165796%	\$ 14,663,550	\$ 21,462,610	68.32%	92.03%
	June 30, 2021	0.170147%	\$ 41,216,263	\$ 22,040,728	187.00%	77.01%
	June 30, 2020	0.174527%	\$ 37,528,024	\$ 21,358,536	175.71%	78.56%
	June 30, 2019	0.167517%	\$ 31,094,743	\$ 19,954,138	155.83%	80.27%
	June 30, 2018	0.165556%	\$ 30,769,093	\$ 19,027,135	161.71%	79.33%
	June 30, 2017	0.167767%	\$ 34,612,203	\$ 18,543,983	186.65%	76.06%
	June 30, 2016	0.172889%	\$ 26,320,633	\$ 18,430,429	142.81%	81.44%
	June 30, 2015	0.174317 %	\$ 22,022,654	\$ 18,090,504	121.74 %	84.03 %

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

Changes of assumptions

Employees' Retirement System:

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, withdrawal, and salary increases. This also included a change in the long-term assumed investment rate of return to 7.00%.

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.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted and recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

**CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SIX YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
June 30, 2022	\$ 1,743,858	\$ 1,743,858	\$ —	\$ 41,104,463	4.24%
June 30, 2021	\$ 1,437,958	\$ 1,437,958	\$ —	\$ 40,121,626	3.58%
June 30, 2020	\$ 1,254,678	\$ 1,254,678	\$ —	\$ 39,987,373	3.14%
June 30, 2019	\$ 1,966,320	\$ 1,966,320	\$ —	\$ 39,228,420	5.01%
June 30, 2018	\$ 1,946,369	\$ 1,946,369	\$ —	\$ 37,128,669	5.24%
June 30, 2017	\$ 1,251,845	\$ 1,251,845	\$ —	\$ 37,178,530	3.37%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST FIVE YEARS***

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2022	1.225037%	\$ 61,657,100	\$ 40,121,626	153.68%	3.74%
June 30, 2021	1.220599%	\$ 65,103,324	\$ 39,987,373	162.81%	2.91%
June 30, 2020	1.226015%	\$ 54,822,094	\$ 39,228,420	139.75%	3.13%
June 30, 2019	1.228614%	\$ 54,191,106	\$ 37,128,669	145.95%	1.69%
June 30, 2018	1.257076%	\$ 53,045,161	\$ 37,178,530	142.68%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CLAYTON STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Mortality improvement scale was updated from MP-2019 to MP-2020.
- The discount rate was updated from 2.21% as of June 30, 2020 to 2.18% as of June 30, 2021.
- The disability rates were changed to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The salary scale was changed from 4.00% to 3.75% to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The HRA annual increase assumption was updated from 4.50% to 4.00% to reflect general long term HRA employer marketplace trends that show HRA amounts increasing slightly lower than long term medical trends but higher than inflation.
- The Expected Return on Assets was changed from 3.75% to 4.37%.

Supplementary Information

CLAYTON STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2022
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	7,199,489.52
Accounts Receivable		
Federal Financial Assistance		1,110,772.51
Other		8,154,754.55
Prepaid Expenditures		162,057.63
Other Assets		50,400.00
Total Assets	\$	<u>16,677,474.21</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll		292,432.11
Encumbrance Payable		6,988,570.11
Accounts Payable		775,403.30
Unearned Revenue		2,292,647.93
Funds Held for Others		30,860.20
Other Liabilities		23,157.52
Total Liabilities		<u>10,403,071.17</u>

Fund Balances

Reserved		
Department Sales and Services		2,070,411.01
Indirect Cost Recoveries		634,111.93
Technology Fees		557,686.47
Uncollectible Accounts Receivable		2,234,023.80
Tuition Carry - Forward		754,873.35
Unreserved		
Surplus		23,296.48
Total Fund Balances		<u>6,274,403.04</u>
Total Liabilities and Fund Balances	\$	<u>16,677,474.21</u>

Actual amounts were 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.

CLAYTON STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Appropriation	Final Budget	Funds Available Compared to Budget	
			Current Year Revenues	Prior Year Reserve Carry-Over
Teaching				
State Appropriation				
State General Funds	\$ 27,140,426.00	\$ 29,801,560.00	\$ 29,801,560.00	\$ —
Federal Funds				
Federal Funds Not Specifically Identified	—	20,219,766.00	18,967,755.68	—
Federal Funds - COVID19				
Federal Funds Not Specifically Identified - COVID	—	18,503,278.00	18,502,116.19	—
Other Funds	57,622,595.00	42,758,832.00	37,182,321.88	3,623,424.23
Total Teaching	84,763,021.00	111,283,436.00	104,453,753.75	3,623,424.23
 Total Operating Activity	 \$ 84,763,021.00	 \$ 111,283,436.00	 \$ 104,453,753.75	 \$ 3,623,424.23

Actual amounts were 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.

CLAYTON STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Teaching						
State Appropriation						
State General Funds	\$ —	\$ 29,801,560.00	\$ —	\$ 29,799,861.52	\$ 1,698.48	\$ 1,698.48
Federal Funds						
Federal Funds Not Specifically Identified	—	18,967,755.68	-1,252,010.32	18,967,755.68	1,252,010.32	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified - COVID	—	18,502,116.19	-1,161.81	18,502,116.19	1,161.81	—
Other Funds	—	40,805,746.11	-1,953,085.89	35,651,874.74	7,106,957.26	5,153,871.37
Total Teaching	—	108,077,177.98	(3,206,258.02)	102,921,608.13	8,361,827.87	5,155,569.85
Total Operating Activity	—	108,077,177.98	(3,206,258.02)	102,921,608.13	8,361,827.87	5,155,569.85

Actual amounts were 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.

CLAYTON STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2021 Surplus	Prior Year Adjustments	Other Adjustments
Teaching					
State Appropriation					
State General Funds	\$ 6,973.21	\$ —	\$ -6,973.21	\$ 20,347.95	\$ —
Federal Funds					
Federal Funds Not Specifically Identified	—	—	—	—	—
Federal Funds - COVID19					
Federal Funds Not Specifically Identified - COVID	—	—	—	—	—
Other Funds	3,700,013.11	-3,623,424.23	-76,588.88	-1,007,819.43	-127,719.13
Total Teaching	3,706,986.32	-3,623,424.23	-83,562.09	-987,471.48	-127,719.13
Total Operating Activity	3,706,986.32	-3,623,424.23	-83,562.09	-987,471.48	-127,719.13
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	2,106,304.67				127,719.13
Budget Unit Totals	<u>\$ 5,813,290.99</u>	<u>\$ -3,623,424.23</u>	<u>\$ -83,562.09</u>	<u>\$ -987,471.48</u>	<u>\$ —</u>

Actual amounts were 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.

**CLAYTON STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Early Return of Fiscal Year 2022 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30, 2022	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Teaching						
State Appropriation						
State General Funds	—	1,698.48	22,046.43	—	22,046.43	22,046.43
Federal Funds						
Federal Funds Not Specifically Identified	—	—	—	—	—	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified - COVID	—	—	—	—	—	—
Other Funds	—	5,153,871.37	4,018,332.81	4,017,082.76	1,250.05	4,018,332.81
Total Teaching	—	5,155,569.85	4,040,379.24	4,017,082.76	23,296.48	4,040,379.24
Total Operating Activity	—	5,155,569.85	4,040,379.24	4,017,082.76	23,296.48	4,040,379.24
Prior Year Reserves						
Not Available for Expenditure						
Uncollectible Accounts Receivable			2,234,023.80	2,234,023.80		2,234,023.80
Budget Unit Totals	—	5,155,569.85	6,274,403.04	6,251,106.56	23,296.48	6,274,403.04
				2,070,411.01	—	2,070,411.01
				634,111.93	—	634,111.93
				557,686.47	—	557,686.47
				754,873.35	—	754,873.35
				2,234,023.80	—	2,234,023.80
				—	23,296.48	23,296.48
				6,251,106.56	23,296.48	6,274,403.04

Actual amounts were 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.

CLAYTON STATE UNIVERSITY

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