



# **CLAYTON STATE UNIVERSITY**

Annual Financial Report  
Fiscal Year 2020

**CLAYTON STATE UNIVERSITY**  
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**For the Fiscal Year Ended June 30, 2020**

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# Introductory Section

## Message from the President

It has been said that the ultimate measure of an individual is during times of challenge. The spring 2020 semester saw an unprecedented shift in how higher education institutions go about the business of learning. Like the rest of the world, colleges and universities were greatly impacted by the COVID-19 public health crisis.

But in a matter of weeks, Clayton State University rose to the occasion and made an unparalleled shift to our daily operations. From transitioning thousands of students to online learning to rapidly enacting our business continuity plans across campus departments, our Laker family demonstrated adaptability and resiliency in unpredictable times.

And while we continue to address the challenges of this pandemic to provide a safe educational environment for all, we continue to validate the value of higher education and our contributions to society.

Clayton State University is a diverse, intellectual community that is committed to being a national model for university-based community engagement. We equip our students with the knowledge, skills, and motivations for learning and success, while instilling the importance of being a steward of place. The dreams, goals, and aspirations of our students are at the heart of this work.

Our student-focused efforts have gained local and national recognition, including:

- Clayton State ranked no. 13 among the Atlanta area's 25 largest colleges and universities in the *Atlanta Business Chronicle's* 2019 Book of Lists.
- The *Atlanta Journal-Constitution* named Clayton State University one of the Top 100 workplaces in Metropolitan Atlanta for 2020, marking the eighth time the university has made the list.
- *US News and World Report* 2020 Best Colleges Rankings recognized us as being among the nation's top 122 Best Regional Universities in the South.
- *The New York Times* reported in 2019 that Clayton State University was noted for having a six-year graduation rate 13 percentage points better than expected, and the university was the only USG institution listed as a top performing school for exceeding its graduation rate.

Additionally, the Carnegie Foundation assigned to us the classification of a Community Engaged University in 2015, a designation that has further advanced university learning. We are proud that we offer more than 40 undergraduate majors and eight graduate degree programs.

Clayton State University's Strategic Plan 2022 reflects the ongoing commitment of our faculty and staff to student learning and success by focusing on six strategic priorities, which are:

1. Increasing enrollment, retention, and graduation rates.
2. Increasing external funding.
3. Building brand through community engagement and program development focused on career preparation and success.
4. Promoting the brand through an integrated marketing communication program.
5. Advancing innovation in experiential teaching styles, methods of delivery, and research.
6. Continuing investing in infrastructure improvements

As you examine this document, you will find these priorities and themes reflected throughout.

On behalf of Clayton State University's faculty, staff, students and alumni, I thank you. Because of your continued support, Clayton State is a place where needs are met, goals are achieved, and dreams are made real.

Dr. Thomas J. Hynes  
President of Clayton State University

## Letter of Transmittal

September 25, 2020

To: Dr. Thomas Hynes  
President  
Clayton State University

The Annual Financial Report (AFR) for the Clayton State University includes the financial statements for the year ended June 30, 2020, 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, 2020.

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 University's internal auditor also performs fiscal compliance and performance reviews, sharing the results with the Institution's management. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

This fiscal year the University System of Georgia Office of Internal Audits (OIA) was engaged by the Board of Regents to conduct selected financial testing procedures. These procedures do not constitute an audit of the institution's financial statements. For this reason, OIA did not express an opinion on the financial statements.

Sincerely,

Ms. Corlis Cummings  
Vice-President, Business & Operations

# Financial Section

# 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 engaged, 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 2020	6,879	5,705
FY 2019	7,038	5,789
FY 2018	7,003	5,729

### Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2020. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2020 and fiscal year 2019.

### Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2020 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and liabilities (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.

<b>CONDENSED STATEMENT OF NET POSITION</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
<b>ASSETS</b>				
Current Assets	\$ 14,779,728	\$ 16,014,684	\$ -1,234,956	-7.71%
Capital Assets, Net	117,671,797	122,599,649	-4,927,852	-4.02%
Other Assets	1,574,833	2,239,499	-664,666	-29.68%
<b>TOTAL ASSETS</b>	<b>\$ 134,026,358</b>	<b>\$ 140,853,832</b>	<b>\$ -6,827,474</b>	<b>-4.85%</b>
<b>DEFERRED OUTFLOWS</b>	<b>\$ 15,887,014</b>	<b>\$ 13,051,338</b>	<b>\$ 2,835,676</b>	<b>21.73%</b>
<b>LIABILITIES</b>				
Current Liabilities	8,670,756	8,662,944	7,812	0.09%
Non-Current Liabilities	154,493,507	149,524,064	4,969,443	3.32%
<b>TOTAL LIABILITIES</b>	<b>\$ 163,164,263</b>	<b>\$ 158,187,008</b>	<b>\$ 4,977,255</b>	<b>3.15%</b>
<b>DEFERRED INFLOWS</b>	<b>\$ 18,297,135</b>	<b>\$ 18,678,202</b>	<b>\$ -381,067</b>	<b>-2.04%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	44,959,003	47,397,517	-2,438,514	-5.14%
Restricted, Non-Expendable	1,650,680	1,650,680	—	—%
Restricted, Expendable	2,987	8,837	-5,850	-66.20%
Unrestricted	-78,160,696	-72,017,074	-6,143,622	8.53%
<b>TOTAL NET POSITION</b>	<b>\$ -31,548,026</b>	<b>\$ -22,960,040</b>	<b>\$ -8,587,986</b>	<b>37.40%</b>

Total assets decreased \$(6,827,474) which was due to a decrease in current assets of \$(1,234,956), a decrease in net capital assets of \$(4,927,852), and a decrease in other assets of \$(664,666).

Total deferred outflows of resources increased by \$2,835,676 which was primarily due to 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 as well as the implementation of GASB 75 Other Post Employment Benefits (OPEB).

Total liabilities increased \$4,977,255 which was due to an increase in current liabilities of \$7,812 and an increase in non-current liabilities of \$4,969,443. Lease purchase obligations decreased \$2,155,409, which was attributable to the normal fiscal year 2020 principal payments. Net pension liability increased in the amount of \$6,434,628 related to the University's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. The overall increase in total liabilities is due to the change in lease purchase obligation, net pension liability, and Net Other Post Employment Benefits Liability (OPEB) of \$630,988.

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 a decrease in net position of \$(8,587,986). This change in net position is primarily in the categories of Net Investment in Capital Asset, in the amount of \$2,438,514 and unrestricted net position in the amount of \$6,143,622.

Total deferred inflows of resources decreased by \$(381,067) which was due to a decrease of \$244,628 in deferred inflows for debt refunding, decrease of \$301,483 in the University's deferred inflows related to pension liability and increase of \$165,044 in the category of deferred inflows related to the changes in the University's net OPEB liability.



### 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, 2020	June 30, 2019	Increase/ (Decrease)	% Change
Operating Revenue	\$ 40,409,195	\$ 45,568,341	\$ (5,159,146)	-11.32%
Operating Expense	98,651,336	92,574,524	6,076,812	6.56%
Operating Income/Loss	\$ -58,242,141	\$ -47,006,183	\$ -11,235,958	23.90%
Non-Operating Revenue and Expense	49,361,824	43,953,352	5,408,472	12.31%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	\$ -8,880,317	\$ -3,052,831	\$ -5,827,486	190.89%
Other Revenues, Expenses, Gains, Losses and Special Items	317,893	1,036,309	-718,416	-69.32%
Change in Net Position	\$ -8,562,424	\$ -2,016,522	\$ -6,545,902	324.61%
Net Position at beginning of year, restated	-22,985,602	-20,943,518	-2,042,084	9.75%
Net Position at End of Year	\$ -31,548,026	\$ -22,960,040	\$ -8,587,986	37.40%

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

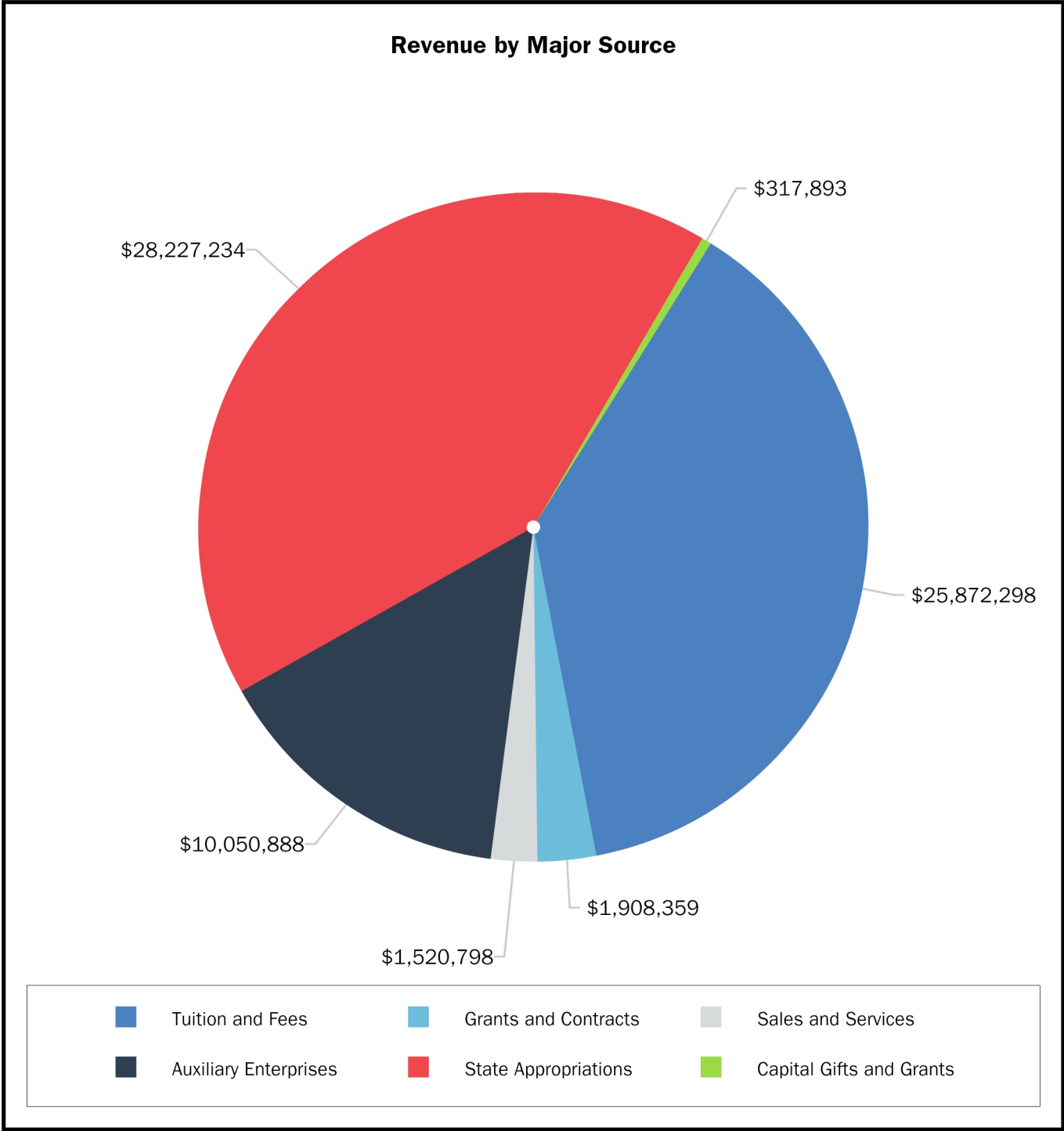
#### Revenues

In fiscal year 2020, state appropriations increased by \$989,182 (3.63%) based on formula funding; grants and contracts revenue increased \$4,876,429 primarily because the institution received funds from the Department of Education per the CARES Act; net tuition and fee revenues stayed relatively unchanged (0.02%).

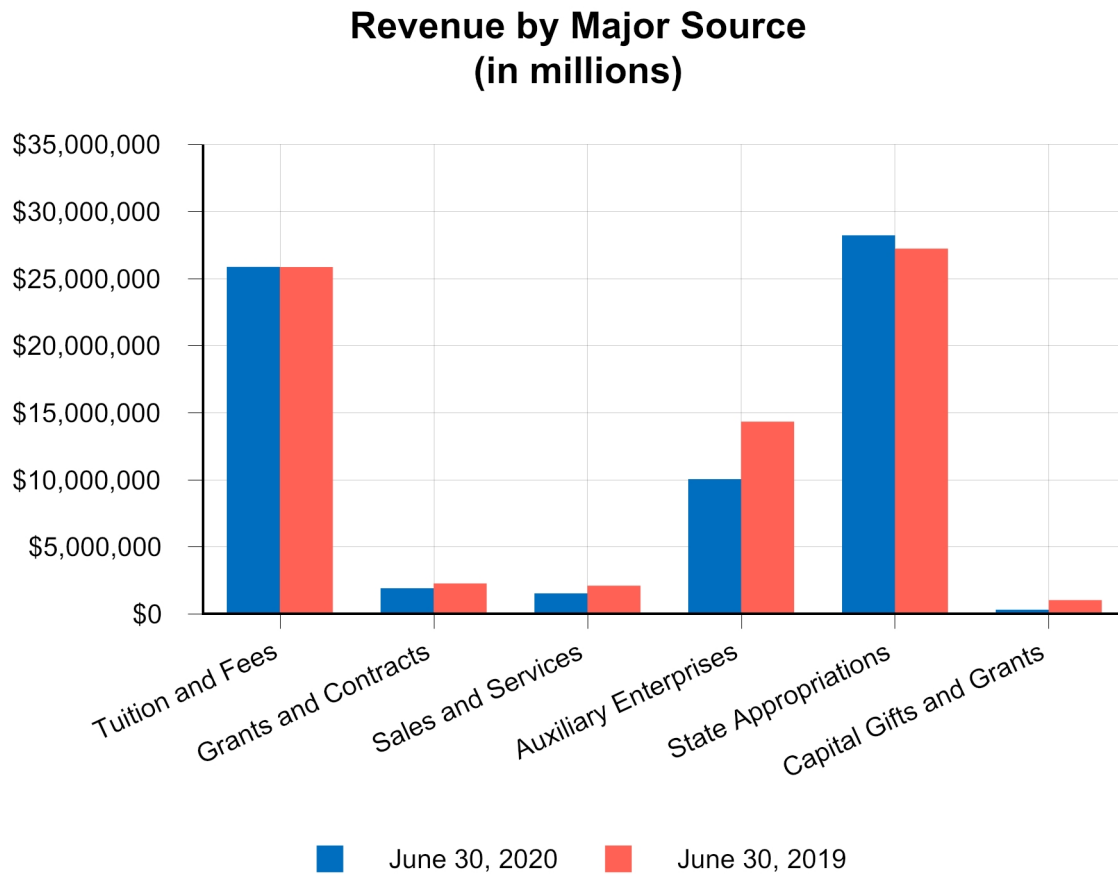
For the years ended June 30, 2020 and June 30, 2019, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2020	June 30, 2019	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 25,872,298	25,867,204	\$ 5,094	0.02%
Grants and Contracts	1,908,359	2,259,368	-351,009	-15.54%
Sales and Services	1,520,798	2,112,047	-591,249	-27.99%
Auxiliary Enterprises	10,050,888	14,338,921	-4,288,033	-29.90%
Other Operating Revenues	1,056,852	990,801	66,051	6.67%
<b>Total Operating Revenues</b>	<b>\$ 40,409,195</b>	<b>\$ 45,568,341</b>	<b>\$ -5,159,146</b>	<b>-11.32%</b>
State Appropriations	28,227,234	27,238,052	989,182	3.63%
Grants and Contracts	23,814,339	19,177,548	4,636,791	24.18%
Gifts	—	624,645	-624,645	-100.00%
Investment Income	118,167	-87,056	205,223	-235.74%
Other Nonoperating Revenues	—	-123,167	123,167	-100.00%
<b>Total Nonoperating Revenues</b>	<b>\$ 52,159,740</b>	<b>\$ 46,830,022</b>	<b>\$ 5,329,718</b>	<b>11.38%</b>
State Capital Gifts and Grants	317,893	1,036,309	-718,416	-69.32%
<b>Total Capital Gifts and Grants</b>	<b>\$ 317,893</b>	<b>\$ 1,036,309</b>	<b>\$ -718,416</b>	<b>-69.32%</b>
<b>Total Revenues</b>	<b>\$ 92,886,828</b>	<b>\$ 93,434,672</b>	<b>\$ -547,844</b>	<b>-0.59%</b>

Revenue 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, 2020 and June 30, 2019 is depicted by the following chart:



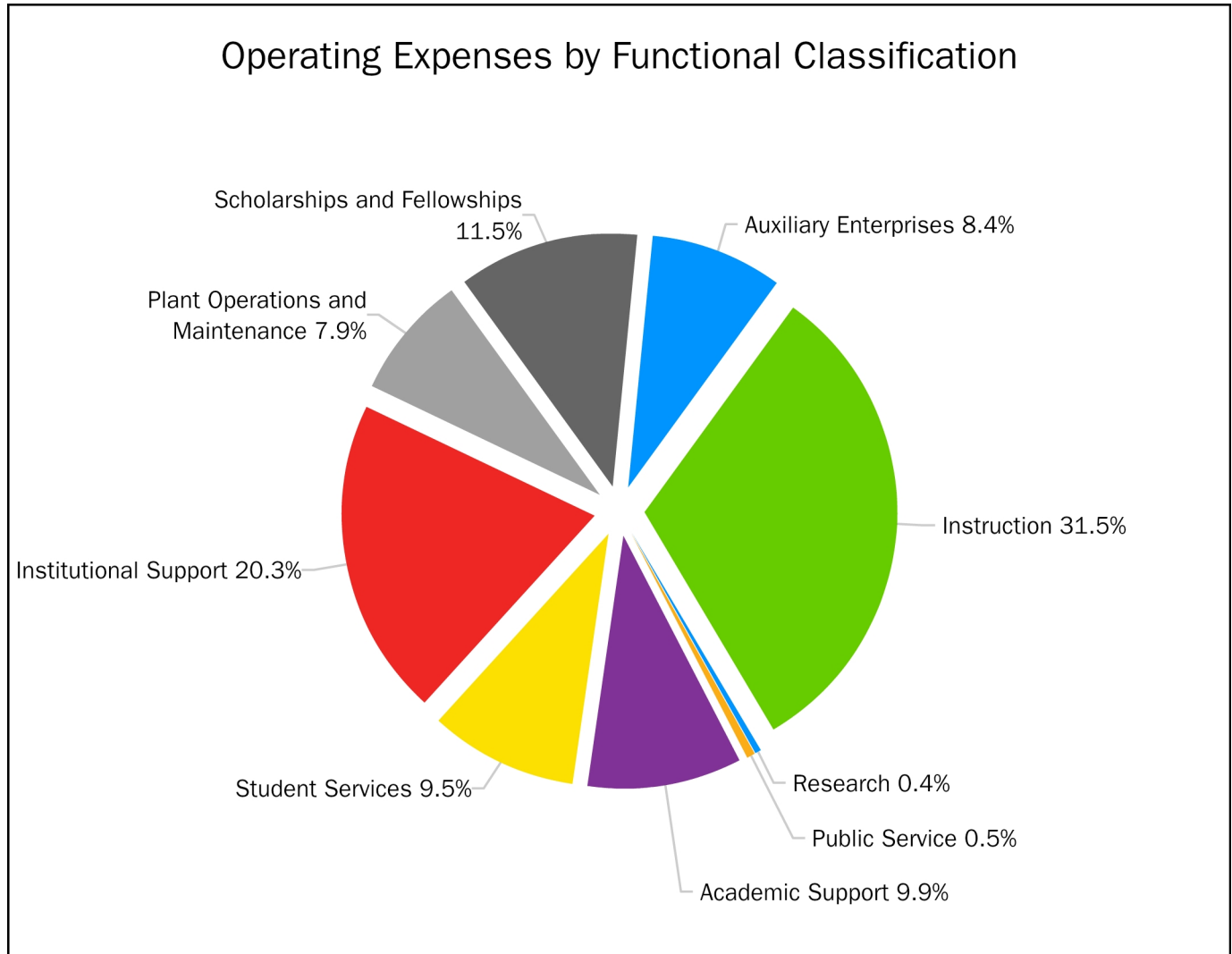
### Expenses

For the years ended June 30, 2020 and June 30, 2019, expenses by functional classification were as follows:

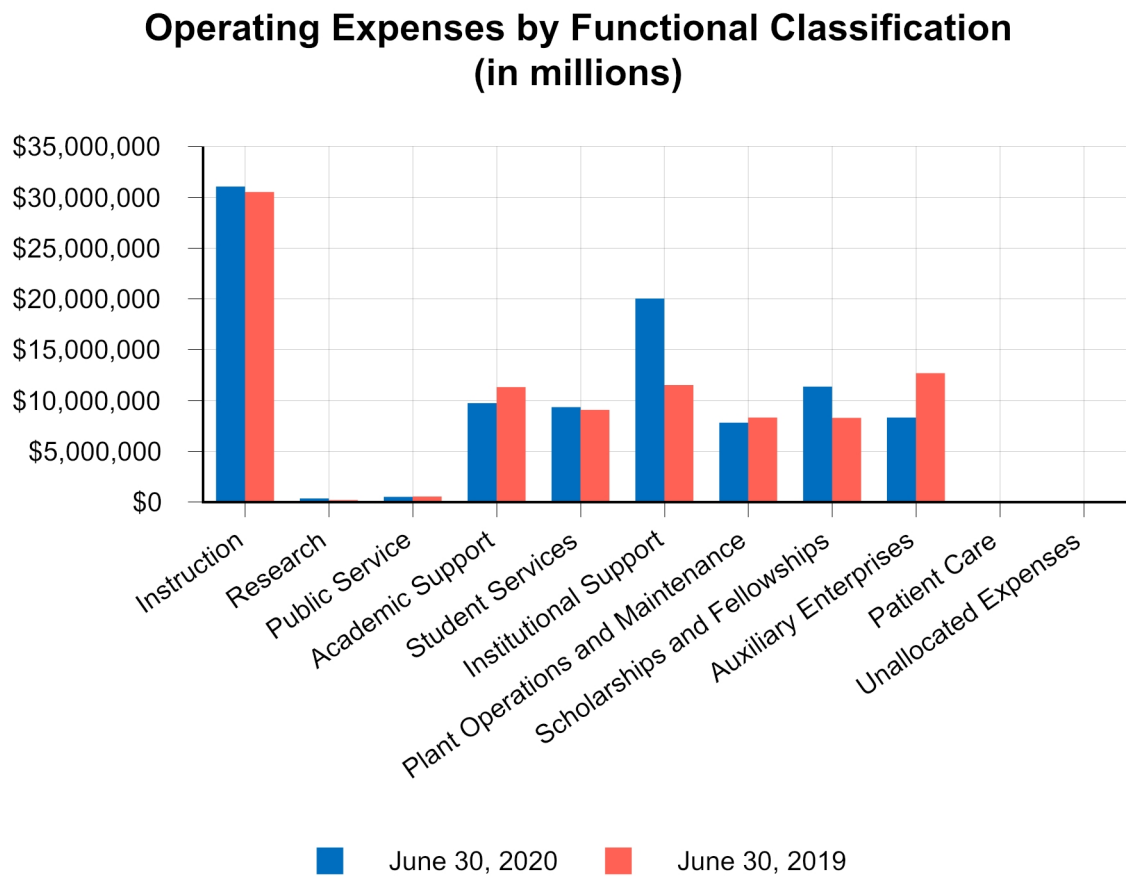
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2020	June 30, 2019	Increase/ (Decrease)	% Change
Instruction	\$ 31,053,446	\$ 30,524,012	\$ 529,434	1.73%
Research	379,208	207,791	171,417	82.49%
Public Service	532,060	541,098	-9,038	-1.67%
Academic Support	9,743,708	11,317,178	-1,573,470	-13.90%
Student Services	9,345,023	9,088,330	256,693	2.82%
Institutional Support	20,057,535	11,548,788	8,508,747	73.68%
Plant Operations and Maintenance	7,827,676	8,340,277	-512,601	-6.15%
Scholarships and Fellowships	11,382,875	8,304,737	3,078,138	37.06%
Auxiliary Enterprises	8,329,805	12,702,313	-4,372,508	-34.42%
<b>Total Operating Expenses</b>	<b>\$ 98,651,336</b>	<b>\$ 92,574,524</b>	<b>\$ 6,076,812</b>	<b>6.56%</b>
Interest Expense	2,797,916	2,876,670	-78,754	-2.74%
<b>Total Nonoperating Expenses</b>	<b>\$ 2,797,916</b>	<b>\$ 2,876,670</b>	<b>\$ -78,754</b>	<b>-2.74%</b>
<b>Total Expenses</b>	<b>\$ 101,449,252</b>	<b>\$ 95,451,194</b>	<b>\$ 5,998,058</b>	<b>6.28%</b>

Total operating expenses were \$98.65 million in fiscal year 2020, an increase of \$6.07 million (6.56%) when compared with fiscal year 2019. These increases are primarily attributable to the following functional classifications: Instruction (\$529,434); Research (\$171,417); Student Services (\$256,693); Institutional Support (\$8,508,747); and Scholarships and Fellowships (\$3,078,138). These amounts were offset by a decrease in Academic Support (\$1,573,470); Public Service (\$9,038), Plant Operations (\$512,601) and Auxiliary Enterprises (\$4,372,508).

The following chart depicts the fiscal year 2020 operating expenses by functional classification.

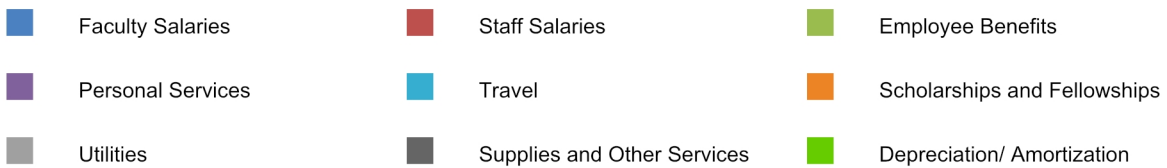
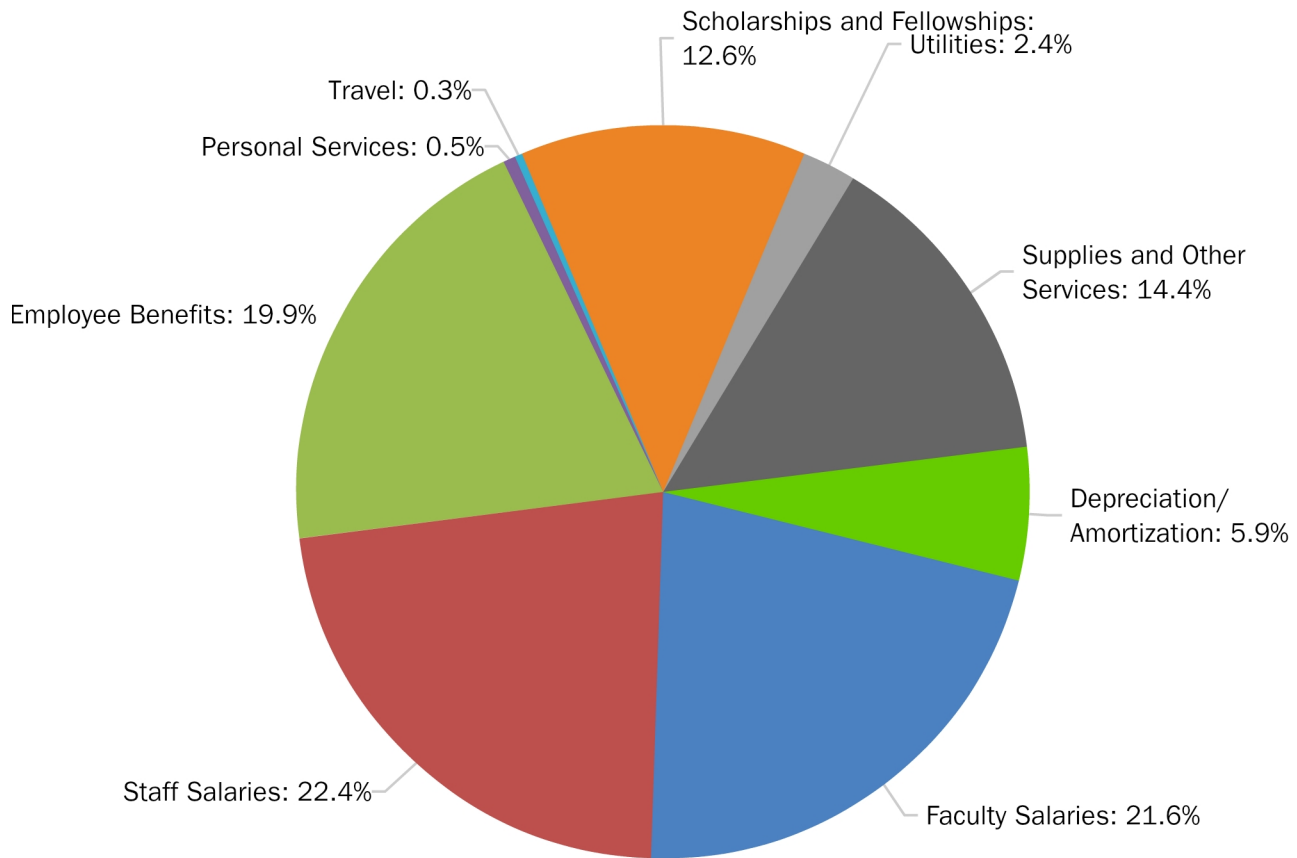


Operating expenses by functional classification for the years ended June 30, 2020 and June 30, 2019 is depicted by the following chart:

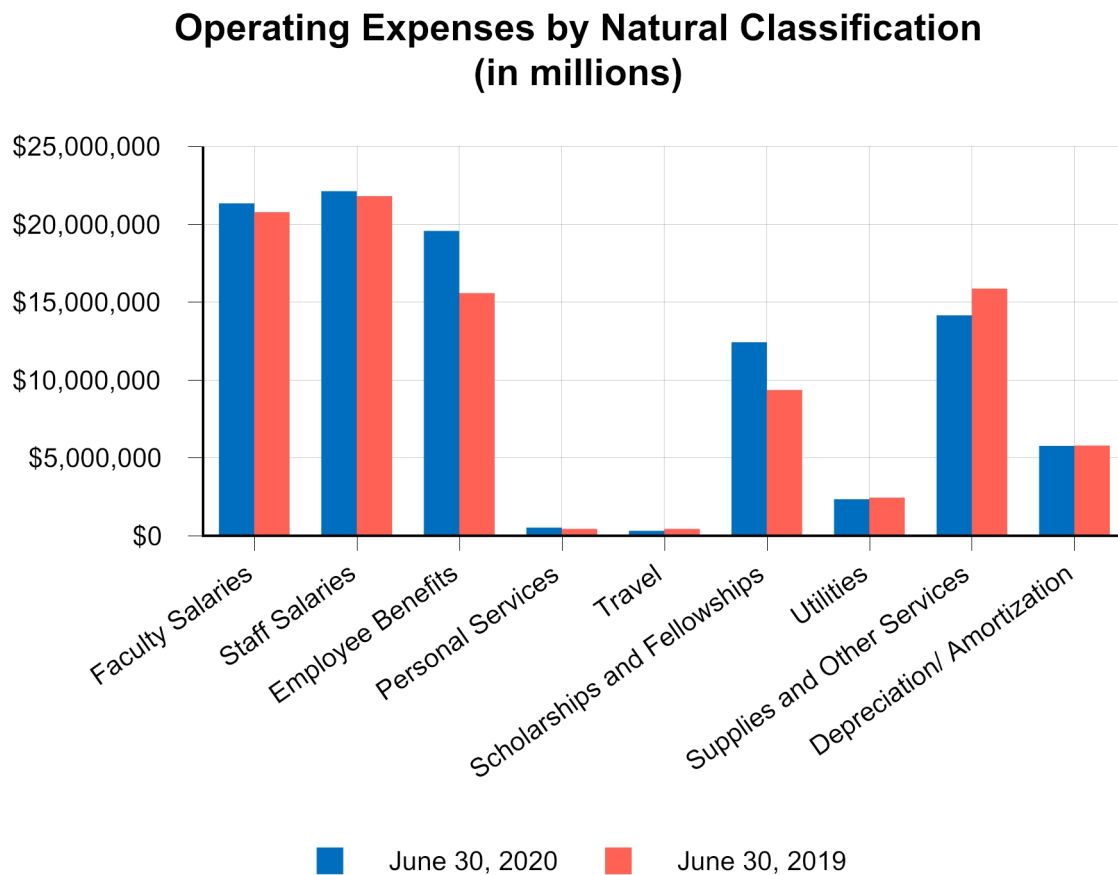


The following chart depicts the fiscal 2020 operating expenses by natural classification.

## Operating Expenses by Natural Classification



Operating expenses by by natural classification for the years ended June 30, 2020 and June 30, 2019 is 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, 2020 and 2019, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2020	June 30, 2019
Cash Provided (Used) by:		
Operating Activities	\$ -44,684,322	-39,656,652
Non-Capital Financing Activities	51,237,548	46,828,668
Capital and Related Financing Activities	-5,792,225	-5,549,296
Investing Activities	118,167	15,677
<b>NET CHANGE IN CASH</b>	<b>\$ 879,168</b>	<b>\$ 1,638,397</b>
Cash, beginning of year	10,554,955	8,092,720
<b>CASH, end of year</b>	<b>\$ 11,434,123</b>	<b>\$ 9,731,117</b>

### Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2020 and June 30, 2019 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2020	June 30, 2019	Increase (Decrease)	% Change
Land	\$ 2,416,732	2,416,732	\$ —	0.00%
Construction Work-in-Progress	—	852,195	-852,195	-100.00%
Building and Building Improvements	111,085,051	116,186,470	-5,101,419	-4.39%
Facilities and Other Improvements	38,308	46,437	-8,129	-17.51%
Equipment	1,619,603	1,718,146	-98,543	-5.74%
Library Collections	1,365,289	1,379,669	-14,380	-1.04%
<b>Capital Assets, net of accumulated depreciation</b>	<b>\$ 117,671,797</b>	<b>\$ 122,599,649</b>	<b>\$ -4,927,852</b>	<b>-4.02%</b>

The University had one road construction project in progress as of June 30, 2019. This project was administered by the Georgia State Financing and Investment Commission (GSFIC). In fiscal year 2020, the construction of Laker Lane road was completed and placed in service.

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 \$66,068,118 of which \$4,009,859 was reflected as a current liability at June 30, 2020.

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

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

## **Economic Outlook**

The University's fiscal year 2020 operations were significantly affected by the outbreak of the novel coronavirus or COVID-19. The institution incurred expenditures and revenue loss due to campus closures and the transition to online education. Additional costs were incurred as the institution prepared to reopen the campus for the fall 2020 semester. Although the United States Congress provided financial support for colleges and universities in the CARES Act, CSU did not fully recover revenue losses because of the COVID-19 pandemic. Despite these challenges, enrollment expectations for the upcoming fiscal year are encouraging. 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, 2020**

	Clayton State University
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 11,114,431
Cash and Cash Equivalents (Externally Restricted)	319,692
Short-term Investments	—
Short-term Investments (Externally Restricted)	—
Accounts Receivable, net	
Federal Financial Assistance	897,119
State General Appropriations	—
Margin Allocation Funds	—
Affiliated Organizations	950,821
Component Units	—
Primary Government	—
Pledges and Contributions	—
Other	1,329,818
Notes Receivable, net	—
Due From Other Funds	—
Investment in Capital Leases - Primary Government	—
Investment in Capital Leases - Other	—
Inventories	7,214
Prepaid Items	160,633
Other Assets	
Total Current Assets	<u>14,779,728</u>
<b>Non-Current Assets</b>	
Accounts Receivable, net	
Affiliated Organizations	990,440
Component Units	—
Primary Government	—
Due From USO - Capital Liability Reserve Fund	578,205
Due From Institution - Capital Liability Reserve Fund	—
Pledges and Contributions	—
Other	—
Investments	—
Notes Receivable, net	6,188
Due From Other Funds	—
Investment in Capital Leases - Primary Government	—
Investment in Capital Leases - Other	—
Other Assets	—
Non-current Cash (Externally Restricted)	—
Short-term Investments (Externally Restricted)	—
Investments (Externally Restricted)	—
Capital Assets, net	117,671,797
Total Non-Current Assets	<u>119,246,630</u>
<b>TOTAL ASSETS</b>	<u>134,026,358</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>\$ 15,887,014</u>

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

**CLAYTON STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Clayton State University
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 2,296,414
Salaries Payable	365,050
Benefits Payable	125,902
Contracts Payable	—
Retainage Payable	—
Due to Affiliated Organizations	4,000
Due to Component Units	—
Due to Primary Government	—
Due to Other Funds	—
Due to USO - Capital Liability Reserve Fund	—
Advances (Including Tuition and Fees)	1,725,042
Deposits	75,854
Deposits Held for Other Organizations	49,519
Other Liabilities	19,116
Notes and Loans Payable	—
Lease Purchase Obligations - External	—
Lease Purchase Obligations - Component Units	2,317,770
Revenue Bonds and Notes Payable	—
Liabilities Under Split Interest Agreements	—
Interest Rate Swap	—
Pollution Remediation	—
Claims and Judgments	—
Compensated Absences	1,692,089
Total Current Liabilities	<u>8,670,756</u>
<b>Non-Current Liabilities</b>	
Due to Affiliated Organizations	—
Due to Component Units	—
Due to Primary Government	—
Due to Other Funds	—
Due to USO - Capital Liability Reserve Fund	—
Advances (Including Tuition and Fees)	—
Other Liabilities	—
Notes and Loans Payable	—
Lease Purchase Obligations - External	—
Lease Purchase Obligations - Component Units	61,303,637
Revenue Bonds and Notes Payable	—
Liabilities Under Split Interest Agreements	—
Interest Rate Swap	—
Pollution Remediation	—
Claims and Judgments	—
Compensated Absences	754,622
Net Other Post Employment Benefits Liability	54,822,094
Net Pension Liability	37,613,154
Total Non-Current Liabilities	<u>154,493,507</u>
<b>TOTAL LIABILITIES</b>	<u>163,164,263</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>18,297,135</u>

**NET POSITION**

Net Investment in Capital Assets	44,959,003
Restricted for:	
Nonexpendable	1,650,680
Expendable	2,987
Unrestricted (Deficit)	(78,160,696)

**TOTAL NET POSITION**

\$ (31,548,026)

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, 2020**

	Clayton State University
<b>OPERATING REVENUES</b>	
Student Tuition and Fees (net)	\$ 25,872,298
Federal Appropriations	—
Grants and Contracts	
Federal	1,583,941
State	111,960
Other	212,458
Sales and Services	1,520,798
Rents and Royalties	7,887
Auxiliary Enterprises	
Residence Halls	5,206,755
Bookstore	533,787
Food Services	1,266,428
Parking/Transportation	378,936
Health Services	519,489
Intercollegiate Athletics	1,820,814
Other Organizations	324,679
Gifts and Contributions	—
Endowment Income	—
Other Operating Revenues	1,048,965
	<hr/>
Total Operating Revenues	40,409,195
	<hr/>
<b>OPERATING EXPENSES</b>	
Faculty Salaries	21,347,779
Staff Salaries	22,144,569
Employee Benefits	19,588,048
Other Personal Services	533,054
Travel	327,015
Scholarships and Fellowships	12,426,344
Utilities	2,341,374
Supplies and Other Services	14,158,654
Depreciation	5,784,499
	<hr/>
Total Operating Expenses	98,651,336
	<hr/>
Operating Income (Loss)	\$ -58,242,141
	<hr/>

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, 2020**

	Clayton State University
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	\$ 28,227,234
Grants and Contracts	
Federal	23,114,270
State	—
Other	700,069
Gifts	—
Investment Income	118,167
Interest Expense	-2,797,916
Other Nonoperating Revenues (Expenses)	—
Net Nonoperating Revenues	49,361,824
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	-8,880,317
Capital Grants and Gifts	
Federal	—
State	317,893
Other	—
Additions to Permanent and Term Endowments	—
Special Item	—
Extraordinary Item	—
Total Other Revenues, Expenses, Gains or Losses	317,893
Change in Net Position	-8,562,424
Net Position, Beginning of Year, As Originally Reported	-22,960,040
Prior Year Adjustments	-25,562
Net Position, Beginning of Year, Restated	-22,985,602
Net Position, End of Year	\$ -31,548,026

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, 2020

	Clayton State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 39,400,464
Federal Appropriations	—
Grants and Contracts (Exchange)	4,110,190
Payments to Suppliers	-32,334,612
Payments to Employees	-43,515,194
Payments for Scholarships and Fellowships	-12,394,689
Loans Issued to Students	—
Collection of Loans from Students	—
Other Receipts	49,519
Other Payments	—
Net Cash Used by Operating Activities	-44,684,322
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	28,227,234
Agency Funds Transactions - Receipts	—
Agency Funds Transactions - Disbursements	—
Gifts and Grants Received for Other Than Capital Purposes	23,010,314
Transfer of Endowments to Affiliated Organization	—
Other Non-Capital Financing Receipts	—
Other Non-Capital Financing Payments	—
Net Cash Flows Provided by Non-Capital Financing Activities	51,237,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	351,674
Proceeds from Sale of Capital Assets	—
Purchases of Capital Assets	-945,947
Principal Paid on Capital Debt and Leases	(2,155,408)
Interest Paid on Capital Debt and Leases	-3,042,544
Net Cash Used by Capital and Related Financing Activities	-5,792,225
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	3,474
Investment Income	114,693
Purchase of Investments	—
Net Cash Provided by Investing Activities	118,167
Net Increase in Cash and Cash Equivalents	879,168
Cash and Cash Equivalents, Beginning of Year (Restated)	10,554,955
Cash and Cash Equivalents, End of Year	\$ 11,434,123

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, 2020**

	Clayton State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ -58,242,141
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	5,784,499
Operating Expenses Related to Noncash Gifts	—
Change in Assets and Liabilities:	
Receivables, net	3,617,286
Inventories	-6,247
Prepaid Items	-105,763
Other Assets	
Notes Receivable, Net	—
Accounts Payable	355,813
Salaries Payable	89,242
Benefits Payable	-15,654
Contracts Payable	—
Retainage Payable	—
Deposits	-34,712
Advances (Including Tuition and Fees)	-585,274
Other Liabilities	8,724
Funds Held for Others	49,519
Compensated Absences	302,885
Due to Affiliated Organizations	4,000
Pollution Remediation	—
Claims and Judgments	—
Net Pension Liability	6,434,628
Other Post-Employment Benefit Liability	630,988
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	-136,439
Deferred Outflows of Resources	-2,835,676
Net Cash Used by Operating Activities	<u><u>\$ -44,684,322</u></u>

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

Noncapital Financing Activities Noncash Items:	
Noncapital Gifts	<u><u>\$ —</u></u>
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	<u><u>\$ 966,653</u></u>
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	<u><u>\$ —</u></u>
New Non-Capital Financing Debt	<u><u>\$ —</u></u>
Increase in Non-Capital Debt Related to Capitalized Interest	<u><u>\$ —</u></u>
Other Noncapital Financing Activities Noncash Items	<u><u>\$ —</u></u>
Edit Description Other Noncapital Financing Activities Noncash Items	<u><u>\$ —</u></u>
Capital Financing Activities Noncash Items:	
Current Year Accruals Related to Capital Financing Activities	<u><u>\$ 455,750</u></u>
Gift of Capital Assets	<u><u>\$ —</u></u>
Gain (Loss) on Disposal of Capital Assets	<u><u>\$ —</u></u>
Accrual of Capital Asset Related Payables	<u><u>\$ —</u></u>

Capital Assets Acquired Through Prepaid Capital	\$ —
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ —
Deferred Gain (Loss) due to Debt Refundings	\$ —
Increase in Capital Debt due to Capitalized Interest	\$ —
Early Extinguishment of Capital Debt	\$ —
Amortization of Capital Financing Activities Advances and Deferred Inflows	\$ —
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	\$ 244,629
Accrual of Capital Financing Interest Payable	\$ —
Other Capital Financing Activities Noncash Items	\$ —
Edit Description Other Capital Financing Activities Noncash Items	\$ —
Edit Description Other Capital Financing Activities Noncash Items	\$ —
Edit Description Other Capital Financing Activities Noncash Items	\$ —
Investing Activities Noncash Items:	
Unrealized Gain (Loss) on Investments	\$ 3,474
Gift of Investments	\$ —
Other Investing Activities Noncash Items	\$ —

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, 2020**

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,299,651
Other	<u>823,598</u>
Total Assets	<u>3,123,249</u>
<b>LIABILITIES</b>	
Accounts Payable	2,505
Advances	3,049,986
Deposits held for other organizations	<u>4,564</u>
Total Liabilities	<u>3,057,055</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals, Organizations, and Other Governments	<u><u>\$ 66,194</u></u>

**CLAYTON STATE UNIVERSITY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Federal Financial Aid	35,334,952
State Financial Aid	7,635,796
Other Financial Aid	1,137,460
Clubs and Other Organizations Fund Raising	<u>246,125</u>
Total Additions	<u>44,354,333</u>
<b>DEDUCTIONS</b>	
Scholarships and Other Student Support	44,184,329
Student Organizations Support	<u>287,724</u>
Total Deductions	<u>44,472,053</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>-117,720</u>
Net Position, Beginning of Year	
Net Position, Beginning of Year, As Originally Reported	158,354
Prior Year Adjustments	<u>25,560</u>
Net Position, Beginning of Year	<u>183,914</u>
Net Position, End of Year	<u><u>\$ 66,194</u></u>

# Notes to the Financial Statements

**CLAYTON STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at [sao.georgia.gov/comprehensive-annual-financial-reports](http://sao.georgia.gov/comprehensive-annual-financial-reports).

**Basis of 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 of resulting from the University acting as an agent or fiduciary for various governments, companies, clubs or individuals.

### **New Accounting Pronouncements**

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

For fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The adoption of this Statement does not have a significant impact on the University's financial statements.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (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, the Board of Regents Diversified Fund for Foundations and the Georgia Extended Asset Pool 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. Assets 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, 2020 are recorded as prepaid items.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the 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 System. 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.

### **Capital Liability Reserve Fund**

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance 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 capital 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) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

**Deferred Inflows of Resources**

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

**Other Post-Employment Benefit (OPEB)**

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.

**Service Concession Arrangements**

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

- a) The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

**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. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - non-expendable 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, 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 \$12,955,828.

### Restatement of Prior Year Net Position

The University made the following restatements:

	Business-type Activities	Fiduciary Funds
Net position, beginning of year, as originally reported	\$ -22,960,040	\$ —
Changes in financial reporting entity	—	—
Changes in accounting principles	—	183,914
Correction of prior year errors	-25,562	—
Net position, beginning of year, restated	<u>\$ -22,985,602</u>	<u>\$ 183,914</u>

### Changes in accounting principles

The University made prior period adjustments due to the adoption of GASB Statement No. 84, which required the restatement of the June 30, 2019, fiduciary net position. The result is an increase in fiduciary net position at July 1, 2019 of \$183,914 and an increase in cash and cash equivalents at July 1, 2019 of \$823,838 reported on the Statement of Cash Flows. This change is in accordance with generally accepted accounting principles.

The University also made prior period adjustments due to the adoption of GASB 84, which required the restatement of the June 30, 2019 business-type net position. The result is a decrease in business-type net position and an increase in fiduciary net position at July 1, 2019 of \$25,562. This change is in accordance with generally accepted accounting principles.

## Note 2 Deposits and Investments

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

Cash and Cash Equivalents	\$ 13,414,082
Cash and Cash Equivalents (Externally Restricted)	319,692
	<u>\$ 13,733,774</u>

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

Cash on Hand	\$ 5,065
Deposits with Financial Institutions	13,059,248
Investments	669,461
	<u>\$ 13,733,774</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, 2020, the bank balances of the University's deposits totaled \$13,476,017. 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 pools 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 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 three years, and the fund will typically have an overall average duration of  $\frac{3}{4}$  - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2020 was \$294,368, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.98 years.

Office of the State Treasurer Investment Pools

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the 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 AAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 38 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	\$ 294,368					
Office of the State Treasurer						
Georgia Fund 1	375,093					
Total Investments	<u>\$ 669,461</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, 2020:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 2,928,152	\$ 4,967
Auxiliary Enterprises and Other Operating Activities	1,338,933	
Federal Financial Assistance	897,119	
State General Appropriations Allotment		
Georgia Student Finance Commission		525,857
Georgia State Financing and Investment Commission	455,750	
Margin Allocation Funds		
Due from Affiliated Organizations	1,941,260	
Due from Component Units	—	
Due From Other USG Institutions	631,505	
Other	9,875	
	<u>8,202,594</u>	<u>530,824</u>
Less: Allowance for Doubtful Accounts	<u>3,456,191</u>	<u>3,262</u>
Net Accounts Receivable	<u>\$ 4,746,403</u>	<u>\$ 527,562</u>

#### Note 4 Inventories

Inventories consisted of the following at June 30, 2020:

Consumable Supplies	\$ —
Merchandise for Resale	<u>7,214</u>
Total	<u>\$ 7,214</u>

#### Note 5 Notes and Loans Receivable

As of June 30, 2020, Clayton State University had \$0 in outstanding Notes/Loan Receivables.

## Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2020 are shown below:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 2,416,732		\$ —	\$ 2,416,732
Capitalized Collections	—	—	—	—
Construction Work-in-Progress	852,195	294,619	1,146,814	—
Software Development-in-Progress	—	—	—	—
Total Capital Assets Not Being Depreciated	3,268,927	294,619	1,146,814	2,416,732
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	—	1,146,814	—	1,146,814
Building and Building Improvements	183,863,288		—	183,863,288
Facilities and Other Improvements	150,442		—	150,442
Equipment	9,208,050	468,275	—	9,676,325
Library Collections	8,865,398	93,753	1,351,366	7,607,785
Total Capital Assets Being Depreciated/Amortized	202,087,178	1,708,842	1,351,366	202,444,654
Less: Accumulated Depreciation/Amortization				
Infrastructure	—	—	—	—
Building and Building Improvements	67,676,818	5,101,419	—	72,778,237
Facilities and Other Improvements	104,005	8,129	—	112,134
Equipment	7,489,904	566,818	—	8,056,722
Library Collections	7,485,729	108,133	1,351,366	6,242,496
Total Accumulated Depreciation/Amortization	82,756,456	5,784,499	1,351,366	87,189,589
Total Capital Assets, Being Depreciated/Amortized, Net	119,330,722	-4,075,657	—	115,255,065
Capital Assets, net	\$ 122,599,649	\$ -3,781,038	\$ 1,146,814	\$ 117,671,797

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. For the year ended June 30, 2020, GSFIC did not transfer any capital additions to the University related to GSFIC-managed projects. The University completed the Laker Lane road project, thereby reducing construction-in-progress and increasing capital additions by \$1,146,814.

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

Fiscal Year	Depreciation Expense
2020	\$ 5,784,499
2019	\$ 5,800,505
2018	\$ 5,508,856



## Note 7 Advances (Including Tuition and Fees)

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

	Current Liabilities	Non-Current Liabilities
Prepaid Tuition and Fees	\$ 1,396,576	\$ —
Other - Advances	328,466	—
Totals	<u>\$ 1,725,042</u>	<u>\$ —</u>

## Note 8 Long-Term Liabilities

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

	Restated Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Leases					
Lease Purchase Obligations	\$ 65,776,816	—	2,155,409	\$ 63,621,407	\$ 2,317,770
Other Liabilities					
Compensated Absences	2,143,826	1,718,302	1,415,417	2,446,711	1,692,089
Total Long-Term Obligations	<u>\$ 67,920,642</u>	<u>1,718,302</u>	<u>3,570,826</u>	<u>\$ 66,068,118</u>	<u>\$ 4,009,859</u>

**Notes and Loans Payable**

At of June 30th, 2020, the University had no Notes and Loans Payable.

**Pollution Remediation**

Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. As of June 30th, 2020, the University did not have any pollution remediation obligations.

**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, 2020, consisted of the following:

**Deferred Outflow of Resources**

Deferred Outflow on Debt Refunding	
Deferred Outflow on Defined Benefit Pension Plans (See Note 14)	11,591,696
Deferred Outflow on OPEB Plan (See Note 17)	4,295,318
<b>Total Deferred Outflows of Resources</b>	<b>\$ 15,887,014</b>

**Deferred Inflow of Resources**

Deferred Inflow on Debt Refunding	\$ 9,091,387
Unavailable Revenues	
Deferred Inflow on Defined Benefit Pension Plans (See Note 14)	1,271,200
Deferred Inflow on OPEB Plan (See Note 17)	7,934,548
<b>Total Deferred Inflows of Resources</b>	<b>\$ 18,297,135</b>

**Deferred Outflow/Inflow on Debt Refunding**

In December 2017, the Clayton State Foundation refunded the bonds associated with the Laker Hall and Student Activities building leases and passed the perceived economic advantages of the refund to the University. The net savings to the institution resulting from this refund is \$10,135,922 for the difference in the cash flow requirements between the original lease and the revised lease. The institution recognized a Deferred Inflow on Debt refunding in the amount of \$10,135,922. The unamortized Deferred Inflow on Debt Refunding at year end related to this transaction is \$9,091,387.

**Service Concessions Arrangements**

At June 30, 2020, 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, 2020 is as follows:

Net Investment in Capital Assets	\$ 44,959,003
Restricted for	
Nonexpendable	
Permanent Endowment	1,650,680
Expendable	
Sponsored and Other Organized Activities	-4,348
Federal Loans	7,335
Sub-Total	2,987
Unrestricted	
Auxiliary Enterprises Operations	2,806,551
Reserve for Encumbrances	2,777,583
Capital Liability Reserve Fund	578,205
Other Unrestricted	-84,323,035
Sub-Total	-78,160,696
Total Net Position	\$ -31,548,026

In fiscal year 2018, the University implemented GASB Statement No. 75. This Statement requires the institution to record net OPEB liability each year. For fiscal year 2020, the institution's OPEB liability increased by \$630,988. Pension liability also increased by \$6,434,628 based on actuarial calculations. These increases as well as changes in deferred inflow and outflow of resources related to OPEB accounted primarily for the \$6,143,622 decrease 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 prevent 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, 2020 are as follows:

	(Restated)			
	Balance			Balance
	July 1, 2019	Additions	Reductions	June 30, 2020
Net Investments in Capital Assets	\$ 47,397,517	\$ 3,012,056	\$ 5,450,570	\$ 44,959,003
Restricted Net Position	1,659,517	26,040,591	26,046,441	1,653,667
Unrestricted Net Position	-72,042,636	66,846,237	72,964,297	-78,160,696
Total Net Position	\$ -22,985,602	\$ 95,898,884	\$ 104,461,308	\$ -31,548,026

## 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.

## Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2020. 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, 2020. This amount is not reflected in the accompanying basic financial statements.

## Note 13 Leases

### Lease Obligations

The University is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

### Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the 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 capital leases for fiscal year 2020 were \$2,155,408 and \$3,042,545, respectively. Interest rates range from 3.917% to 4.794%. The institution has \$63,621,407 in outstanding lease obligations due to a related party organization.

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

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2020	Outstanding Balance per Lease Schedules at June 30, 2020
	( + )	( - )	( = )	
Leased Buildings and Building Improvements	\$ 80,588,876	\$ 26,941,379	\$ 53,647,497	\$ 63,621,407
Total Assets Held Under Capital Lease	<u>\$ 80,588,876</u>	<u>\$ 26,941,379</u>	<u>\$ 53,647,497</u>	<u>\$ 63,621,407</u>

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

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	\$ 17,407,412 (1)
Student Activity Center	CSU Foundation	20,766,948	21 years	January 2018	June 2038	14,069,185 (1)
Laker Village	CSU Foundation	30,140,117	30 years	August 2008	June 2042	28,387,123 (1)
Woodlands & Arbor Hall	CSU Foundation	4,500,000	25 years	July 2016	March 2031	3,757,687 (1)
Total Leases		<u>\$ 75,573,986</u>				<u>\$ 63,621,407</u>

(1) These capital leases are related party transactions.

Certain capital 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.

### Operating Leases

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at

the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2020 was \$276,478, none of which includes payments to related parties. For fiscal year 2021, the University is obligated to pay \$258,439 in operating lease expenses, none of which includes payments to related parties.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2020, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2021	\$ 5,697,504	\$ 258,439
2022	5,771,604	
2023	5,779,364	
2024	5,678,014	
2025	5,720,733	
2026 through 2030	26,980,258	
2031 through 2035	25,980,085	
2036 through 2040	21,515,108	
2041 through 2045	4,981,225	
2046 through 2050	—	
2051 through 2055	—	
2056 through 2060	—	
Total Minimum Lease Payments	108,103,895	\$ 258,439
Less: Interest	33,659,345	
Less: Executory Costs	10,823,143	
Principal Outstanding	<u>\$ 63,621,407</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 Institution also provides one other retirement plan - the Regents Retirement Plan.

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

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

#### General Information about the Teachers Retirement System

##### Plan description

All teachers of the 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](https://trs.ga.com/publications).

#### **Benefits Provided**

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

#### **Contributions**

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2020. The University's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of the University annual payroll. The University's contributions to TRS totaled \$4,659,410 for the year ended June 30, 2020.

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

#### **Plan description**

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

#### **Benefits provided**

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

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

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

#### **Contributions**

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members

and 21.64% for GSEPS members. The University's contributions to ERS totaled \$13,078 for the year ended June 30, 2020. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2020, the 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, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the University's TRS proportion was 0.174527%, which was an increase of 0.007010% from its proportion measured as of June 30, 2018. At June 30, 2019, the University's ERS proportion was 0.002063%, which was an increase of 0.000025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$6,499,033 for TRS and \$9,497 for ERS. At June 30, 2020, 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	\$ 2,115,271	\$ 11,126	\$ 2,835	\$ —
Changes of assumptions	3,601,304	—	1,498	—
Net difference between projected and actual earnings on pension plan investments	—	893,657	—	2,650
Changes in proportion and differences between contributions and proportionate share of contributions	1,197,702	363,397	598	371
Contributions subsequent to the measurement date	4,659,410	—	13,078	—
Total	<u>\$ 11,573,687</u>	<u>\$ 1,268,180</u>	<u>\$ 18,009</u>	<u>\$ 3,021</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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2021	\$ 2,114,857	\$ 4,013
2022	\$ 547,671	\$ (1,932)
2023	\$ 1,496,289	\$ (522)
2024	\$ 1,487,280	\$ 351
2025	\$ —	\$ —
Thereafter	\$ —	\$ —

#### **Actuarial assumptions**

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

*Teachers Retirement System*

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

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

*Employees' Retirement System*

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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



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

\* Rates shown are net of inflation

### Discount rate

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

### Sensitivity of the 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 7.30% 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	\$ 60,918,967	\$ 37,528,024	\$ 18,292,358

#### Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	\$ 120,978	\$ 85,130	\$ 54,571

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at [trsga.com/publications](https://trsga.com/publications) and [ers.ga.gov/financials](https://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 2020, 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 \$1,597,675 (9.24%) and \$1,037,451 (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 2020, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The 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, 2020.

## 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 2020, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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, 2020:

Active Employees	627
Retirees or Beneficiaries Receiving Benefits	211
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	53
Total	891

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 2020 plan year, the employer rate was approximately 84% of the total health insurance cost for eligible

retirees and the retiree rate was approximately 16%. For employees hired on or after January 1, 2013 and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2020, the University contributed \$1,254,678 to the plan for current premiums or claims.

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

At June 30, 2020, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2019 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, 2019. At June 30, 2019, the University's proportion was 1.226015% which was a decrease of (0.002599)% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized OPEB expense of \$3,512,137. At June 30, 2020, 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	\$ 3,040,640	\$ 312,854
Changes of assumptions	—	6,158,629
Net difference between projected and actual earnings on OPEB plan investments	—	14,402
Changes in proportion and differences between contributions and proportionate share of contributions	—	1,448,663
Contributions subsequent to the measurement date	1,254,678	—
Total	<u>\$ 4,295,318</u>	<u>\$ 7,934,548</u>

The University's contributions subsequent to the measurement date of \$1,254,678 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### **Year Ending June 30:**

2021	\$ (1,175,665)
2022	\$ (1,175,665)
2023	\$ (1,145,172)
2024	\$ (560,626)
2025	\$ (504,379)
Thereafter	\$ (332,401)

#### **Actuarial assumptions**

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of May 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2019 3.50% from Bond Buyers GO 20-Bond Municipal Bond Index Interest Rate as of 6/30/2018 3.87% from Bond Buyers GO 20-Bond Municipal Bond Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Increase 4.00%
Mortality Rates	Healthy: Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with scale MP-2018  Disabled: Pub-2010 Disabled Mortality for General Employees and Teachers (as appropriate) headcount weighted projected with scale MP-2018
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.9%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014.

#### Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to reflect current estimates of the impact of the Excise Tax, due to the updated claims assumption. Mortality rates were changed from the RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 to Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with MP-2018. Retirement rates were updated from the rates developed for the Teacher's Retirement System to rates based on actual experience. The discount rate was updated from 3.87% to 3.50% as of June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of May 1, 2019 are summarized in the following table:

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

#### Discount rate

The Plan's projected fiduciary net position at the end of 2023 is \$0 based on the valuation completed for the fiscal year ending June 30, 2019. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023, therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.50% from the Bond Buyer.

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

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

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Proportionate Share of the Net OPEB Liability	\$ 64,893,957	\$ 54,822,094	\$ 46,425,469

**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	\$ 45,968,997	\$ 54,822,094	\$ 65,914,346
Pre-Medicare Eligible	5.9% decreasing to 3.5%	6.9% decreasing to 4.5%	7.9% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

**OPEB plan fiduciary net position:**

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at [usg.edu/fiscal\\_affairs/financial\\_reporting/](https://usg.edu/fiscal_affairs/financial_reporting/).

**Note 18 Operating Expenses with Functional Classifications**

Business-type activity operating expenses by functional classification for fiscal 2020 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 19,362,795	\$ 2,200,078	\$ 6,271,436	\$ 776	\$ 98,780
Research	31,225	205,692	73,306	—	4,404
Public Service	7,628	204,788	52,920	—	3,498
Academic Support	1,932,616	3,515,952	1,645,585	—	53,812
Student Services	9,315	5,343,928	1,977,408	—	98,066
Institutional Support	3,200	5,668,505	7,527,627	439,493	32,840
Plant Operations and Maintenance	—	2,759,932	1,242,670	—	4,309
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	1,000	2,245,694	797,096	92,785	31,306
Total Operating Expenses	\$ 21,347,779	\$ 22,144,569	\$ 19,588,048	\$ 533,054	\$ 327,015

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 300	\$ 81,377	\$ 1,610,652	\$ 1,395,608	\$ 31,053,446
Research	—	1,040	35,780	27,761	379,208
Public Service	—	661	262,565	—	532,060
Academic Support	5,834	16,132	2,258,986	314,791	9,743,708
Student Services	105,885	11,353	883,962	915,106	9,345,023
Institutional Support	—	37,068	6,237,821	110,981	20,057,535
Plant Operations and Maintenance	—	1,496,152	1,402,664	921,949	7,827,676
Scholarships and Fellowships	11,382,875	—	—	—	11,382,875
Auxiliary Enterprises	931,450	697,591	1,466,224	2,066,659	8,329,805
Total Operating Expenses	<u>\$ 12,426,344</u>	<u>\$ 2,341,374</u>	<u>\$ 14,158,654</u>	<u>\$ 5,784,499</u>	<u>\$ 98,651,336</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	6/30/2020	\$ 13,078	\$ 13,078	\$ —	\$ 53,034	24.66%
	6/30/2019	\$ 12,884	\$ 12,884	\$ —	\$ 51,994	24.78%
	6/30/2018	\$ 12,900	\$ 12,900	\$ —	\$ 51,994	24.81%
	6/30/2017	\$ 12,647	\$ 12,647	\$ —	\$ 50,975	24.81%
	6/30/2016	\$ 18,077	\$ 18,077	\$ —	\$ 56,106	32.22%
	6/30/2015	\$ 13,183	\$ 13,183	\$ —	\$ 57,729	22.84%
	6/30/2014	\$ 11,907	\$ 11,907	\$ —	\$ 57,736	20.62%
	6/30/2013	\$ 7,699	\$ 7,699	\$ —	\$ 55,000	14.00%
	6/30/2012	\$ 6,450	\$ 6,450	\$ —	\$ 55,460	11.63%
	6/30/2011	\$ 2,408	\$ 2,408	\$ —	\$ 23,132	10.41%
Teachers' Retirement System	6/30/2020	\$ 4,659,410	\$ 4,659,410	\$ —	\$ 22,040,728	21.14%
	6/30/2019	\$ 4,463,934	\$ 4,463,934	\$ —	\$ 21,358,536	20.90%
	6/30/2018	\$ 3,354,290	\$ 3,354,290	\$ —	\$ 19,954,138	16.81%
	6/30/2017	\$ 2,715,173	\$ 2,715,173	\$ —	\$ 19,027,135	14.27%
	6/30/2016	\$ 2,651,797	\$ 2,651,797	\$ —	\$ 18,543,983	14.30%
	6/30/2015	\$ 2,183,848	\$ 2,183,848	\$ —	\$ 18,430,429	11.85%
	6/30/2014	\$ 2,214,062	\$ 2,214,062	\$ —	\$ 18,090,504	12.24%
	6/30/2013	\$ 1,996,588	\$ 1,996,588	\$ —	\$ 17,498,688	11.41%
	6/30/2012	\$ 1,769,829	\$ 1,769,829	\$ —	\$ 17,216,235	10.28%
	6/30/2011	\$ 1,653,948	\$ 1,653,948	\$ —	\$ 16,088,988	10.28%

**CLAYTON STATE UNIVERSITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS**  
**FOR THE LAST FIVE SIX 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	6/30/2020	0.002063%	\$ 85,130	\$ 51,994	163.73%	76.74%
	6/30/2019	0.002038%	\$ 83,783	\$ 51,994	161.14%	76.68%
	6/30/2018	0.002078%	\$ 84,395	\$ 50,975	165.56%	76.33%
	6/30/2017	0.002741%	\$ 129,661	\$ 56,106	231.10%	72.34%
	6/30/2016	0.002355%	\$ 95,410	\$ 57,729	165.27%	81.44%
	6/30/2015	0.001814 %	\$ 68,036	\$ 57,736	117.84 %	77.99 %
Teachers Retirement System	6/30/2020	0.174527%	\$ 37,528,024	\$ 21,358,536	175.71%	78.56%
	6/30/2019	0.167517%	\$ 31,094,743	\$ 19,954,138	155.83%	80.27%
	6/30/2018	0.165556%	\$ 30,769,093	\$ 19,027,135	161.71%	79.33%
	6/30/2017	0.167767%	\$ 34,612,203	\$ 18,543,983	186.65%	76.06%
	6/30/2016	0.172889%	\$ 26,320,633	\$ 18,430,429	142.81%	81.44%
	6/30/2015	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, 2020**

*Changes of assumptions*

Employees' Retirement System:

Changes of assumptions: On December 17, 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.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

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%.

**CLAYTON STATE UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN  
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN  
FOR THE LAST FOUR 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)
6/30/2020	\$ 1,254,678	\$ 1,254,678	\$ —	\$ 39,987,373	3.14%
6/30/2019	\$ 1,966,320	\$ 1,966,320	\$ —	\$ 39,228,420	5.01%
6/30/2018	\$ 1,946,369	\$ 1,946,369	\$ —	\$ 37,128,669	5.24%
6/30/2017	\$ 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 THREE 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
6/30/2020	1.23%	\$ 54,822,094	\$ 39,228,420	139.75%	3.13%
6/30/2019	1.23%	\$ 54,191,106	\$ 37,128,669	145.95%	1.69%
6/30/2018	1.26%	\$ 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, 2020**

*Changes in Assumptions Since Prior Valuation*

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to reflect current estimates of the impact of the Excise Tax, due to the updated claims assumption. Mortality rates were changed from the RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 to Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with MP-2018. Retirement rates were updated from the rates developed for the Teacher's Retirement System to rates based on actual experience. The discount rate was updated from 3.87% to 3.50% as of June 30, 2019.

# Supplementary Information

**CLAYTON STATE UNIVERSITY**  
**BALANCE SHEET (NON-GAAP BASIS)**  
**BUDGET FUNDS**  
**JUNE 30, 2020**  
**(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$	5,753,534.90
Investments		—
Accounts Receivable		
State Appropriation		—
Federal Financial Assistance		897,119.04
Other		3,768,826.16
Margin Allocation		—
Prepaid Expenditures		159,510.03
Inventories		—
Other Assets		53,300.00
		<hr/>
Total Assets	\$	10,632,290.13
		<hr/>

LIABILITIES AND FUND EQUITY

Liabilities

Cash Overdraft	\$	—
Contracts Payable		—
Accrued Payroll	\$	309,280.77
Payroll Withholdings		—
Encumbrance Payable		2,704,350.19
Accounts Payable		765,219.87
Unearned Revenue		1,725,041.73
Funds Held for Others		35,541.81
Other Liabilities		4,698.90
		<hr/>
Total Liabilities		5,544,133.27
		<hr/>

Fund Balances

Reserved		
Capital Outlay		—
Department Sales and Services		1,407,383.80
Indirect Cost Recoveries		365,236.97
Technology Fees		222,900.81
Restricted/Sponsored Funds		—
Uncollectible Accounts Receivable		2,125,360.67
Inventories		—
Tuition Carry - Forward		881,447.12
Carry-Over "Per Governor's Office of Planning and Budget"		—
Early Retirement Program		—
Unreserved		
Surplus		85,827.49
		<hr/>
Total Fund Balances		5,088,156.86
		<hr/>
Total Liabilities and Fund Balances	\$	10,632,290.13
		<hr/>

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, 2020**

	Original Appropriation	Final Budget	Funds Available Compared to Budget	
			Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives				
State Appropriation				
State General Funds	—	—	—	—
Tobacco Funds	—	—	—	—
State Funds - Prior Year Carry-Over				
Other Funds	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—
Research Consortium				
State Appropriation				
State General Funds	—	—	—	—
Tobacco Funds	—	—	—	—
Other Funds	—	—	—	—
Total Research Consortium	—	—	—	—
Teaching				
State Appropriation				
State General Funds	\$ 28,227,903.00	\$ 28,233,759.00	\$ 28,233,759.00	\$ —
Federal Coronavirus Relief Funds	—	6,573,582.00	4,793,059.49	—
Other Funds	57,099,274.00	59,497,530.00	58,649,888.18	2,913,522.60
Total Teaching	85,327,177.00	94,304,871.00	91,676,706.67	2,913,522.60
Total Operating Activity	85,327,177.00	94,304,871.00	91,676,706.67	2,913,522.60

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, 2020**

	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)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
State Funds - Prior Year Carry- Over						
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—	—
Research Consortium						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Research Consortium	—	—	—	—	—	—
Teaching						
State Appropriation						
State General Funds	\$ —	\$ 28,233,759.00	\$ —	\$ 28,206,026.11	\$ 27,732.89	\$ 27,732.89
Federal Coronavirus Relief Funds	—	4,793,059.49	-1,780,522.51	4,793,059.49	1,780,522.51	—
Other Funds	—	61,563,410.78	2,065,880.78	57,386,599.15	2,110,930.85	4,176,811.63
Total Teaching	—	94,590,229.27	285,358.27	90,385,684.75	3,919,186.25	4,204,544.52
Total Operating Activity	—	94,590,229.27	285,358.27	90,385,684.75	3,919,186.25	4,204,544.52

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, 2020**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2019 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	—	—	—	—	—
Tobacco Funds	—	—	—	—	—
Federal Stimulus Stabilization Funds	—	—	—	—	—
Other Funds	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—
Research Consortium					
State Appropriation					
State General Funds	—	—	—	—	—
Tobacco Funds	—	—	—	—	—
Federal Stimulus Stabilization Funds	—	—	—	—	—
Other Funds	—	—	—	—	—
Total Research Consortium	—	—	—	—	—
Teaching					
State Appropriation					
State General Funds	\$ 1,517.98	\$ —	\$ -1,517.98	\$ 18,943.96	\$ —
Federal Coronavirus Relief Funds	—	—	—	—	—
Other Funds	2,918,529.56	-2,913,522.60	-5,006.96	-21,483.81	-1,239,208.48
Total Teaching	2,920,047.54	-2,913,522.60	-6,524.94	-2,539.85	-1,239,208.48
Total Operating Activity	2,920,047.54	-2,913,522.60	-6,524.94	-2,539.85	-1,239,208.48
Prior Year Reserves					
Not Available for Expenditure					
Inventories	—				—
Uncollectible Accounts Receivable	886,152.19				1,239,208.48
Early Retirement Program (Georgia Health Sciences University)	—				—
Budget Unit Totals	\$ 3,806,199.73	\$ -2,913,522.60	\$ -6,524.94	\$ -2,539.85	\$ —

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, 2020**

	Early Return of Fiscal Year 2020 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—	—
Research Consortium						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Research Consortium	—	—	—	—	—	—
Teaching						
State Appropriation						
State General Funds	—	27,732.89	46,676.85	—	46,676.85	46,676.85
Federal Coronavirus! Relief Funds	—	—	—	—	—	—
Other Funds	—	4,176,811.63	2,916,119.34	2,876,968.70	39,150.64	2,916,119.34
Total Teaching	—	4,204,544.52	2,962,796.19	2,876,968.70	85,827.49	2,962,796.19
Total Operating Activity	—	4,204,544.52	2,962,796.19	2,876,968.70	85,827.49	2,962,796.19
Prior Year Reserves						
Not Available for Expenditure						
Inventories			—	—		—
Uncollectible Accounts Receivable			2,125,360.67	2,125,360.67		2,125,360.67
Early Retirement Program (Georgia Health Sciences University)			—	—		—
Budget Unit Totals	—	4,204,544.52	5,088,156.86	5,002,329.37	85,827.49	5,088,156.86
		Capital Outlay		—	—	—
		Departmental Sales and Services		1,407,383.80	—	1,407,383.80
		Indirect Cost Recovery		365,236.97	—	365,236.97
		Technology Fees		222,900.81	—	222,900.81
		Restricted/Sponsored Funds		—	—	—
		Property Reserves		—	—	—
		Tuition Carry-Forward		881,447.12	—	881,447.12
		Uncollectible Accounts Receivable		2,125,360.67	—	2,125,360.67
		Inventories		—	—	—
		Early Retirement Program		—	—	—
		Surplus		—	85,827.49	85,827.49
		Deficit		—	—	—
				5,002,329.37	85,827.49	5,088,156.86

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# **CLAYTON STATE UNIVERSITY**

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Morrow, GA 30260

**[www.clayton.edu](http://www.clayton.edu)**