

GEORGIA SOUTHWESTERN STATE UNIVERSITY



Annual Financial Report
Fiscal Year 2023

GEORGIA SOUTHWESTERN STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2023

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Financial Section



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Dr. Neal Weaver
Georgia Southwestern State University

We have reviewed the accompanying financial statements of the business-type activities and the fiduciary funds of Georgia Southwestern State University, as of and for the year ended June 30, 2023, and the related notes (financial statements), as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

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

Accountant's Conclusion

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

Required Supplementary Information

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

Other Matters

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

This review report contains information pertinent to the Georgia Southwestern State University's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2023. Additionally, we performed procedures on Georgia Southwestern State University's Federal Student Aid programs for the year ended June 30, 2023, to meet the requirements of COC Standard 13.6. Included in a separate Report on Review and Federal Compliance Procedures dated September 8, 2023 is a section on findings and other items for any matters that came to our attention during our engagement, including results of our testing of the Federal Student Aid programs.

Additionally, we have performed certain procedures at Georgia Southwestern State University to support our audit of the basic financial statements of the State of Georgia presented in the State of Georgia Annual Comprehensive Financial Report and the issuance of a State of Georgia Single Audit Report pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2023.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

September 8, 2023

GEORGIA SOUTHWESTERN STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia Southwestern State University (University) is one of the 26 institutions of higher education of the University System of Georgia. The University, located in Americus, Georgia, was founded in 1906 and offers Associates, Bachelors and Masters degrees in a wide variety of subjects. This broad range of educational opportunities attracts a highly qualified faculty and a student body of over 3,000 students. The Institution's enrollment is shown by the comparison numbers that follow.

FISCAL YEAR	STUDENT HEADCOUNT	STUDENT FTE
FY 2023	3,076	2,488
FY 2022	3,158	2,532
FY 2021	3,162	2,558

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2023. The emphasis of discussions about these statements will be on current year data. There are five financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2022 for business-type activities.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2023 and includes all assets and liabilities, both current and noncurrent and deferred outflow and inflow of resources. The differences between current and noncurrent assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

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

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

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

CONDENSED STATEMENT OF NET POSITION	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 15,851,986	\$ 12,125,663	\$ 3,726,323	30.73 %
Capital Assets, Net	74,350,055	77,423,641	(3,073,586)	(3.97)%
Intangible Right-to-Use Assets, Net	27,104	68,783	(41,679)	(60.59)%
Other Assets	651,028	628,814	22,214	3.53 %
TOTAL ASSETS	\$ 90,880,173	\$ 90,246,901	\$ 633,272	0.70 %
DEFERRED OUTFLOWS	\$ 16,845,499	\$ 11,840,287	\$ 5,005,212	42.27 %
LIABILITIES				
Current Liabilities	5,698,111	6,675,467	\$ (977,356)	(14.64)%
Non-Current Liabilities	78,558,907	70,330,996	8,227,911	11.70 %
TOTAL LIABILITIES	\$ 84,257,018	\$ 77,006,463	\$ 7,250,555	9.42 %
DEFERRED INFLOWS	\$ 12,497,586	\$ 16,966,549	\$ (4,468,963)	(26.34)%
NET POSITION				
Net Investment in Capital Assets	\$ 45,091,340	\$ 46,703,967	\$ (1,612,627)	(3.45)%
Restricted, Non-Expendable	567,710	534,388	33,322	6.24 %
Restricted, Expendable	414,237	425,708	(11,471)	(2.69)%
Unrestricted	(35,102,219)	(39,549,887)	4,447,668	11.25 %
TOTAL NET POSITION	\$ 10,971,068	\$ 8,114,176	\$ 2,856,892	35.21 %

Total assets increased \$633,272 which was due primarily to a couple factors. An increase in current assets of \$3,726,323 was driven by recognition of revenue for the Employee Retention Credit in the amount of \$4,026,105. A decrease in net capital assets of \$3,073,586 was due primarily to normal annual depreciation, with no large building or renovations added in fiscal year 2023.

Total deferred outflows of resources increased by \$5,005,212, which was due to the University's proportionate share of the actuarially determined deferred loss on the defined benefit pension plan administered by Teachers Retirement System (TRS) of Georgia and Employees' Retirement System of Georgia, and the deferred loss on the Other Post-Employment Benefits plan.

Total liabilities increased \$7,250,555 which was due to a decrease in current liabilities of \$977,356 and an increase in noncurrent liabilities of \$8,227,911. As components of noncurrent liabilities, Net Pension Liability increased \$17,129,342 for the University's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System (TRS) of Georgia and Employees' Retirement System (ERS) of Georgia. The actuarially determined liability for Other Post-Employment Benefits decreased by \$7,484,356. The changes in Teachers Retirement System (TRS) of Georgia pensions primarily resulted from the changes in the long-term rate of return assumption from 7.25% to 6.90% along with the difference expected and actuals earnings on investments. The changes in Employees' Retirement System (ERS) of Georgia pensions primarily resulted from the changes in the difference between expected and actuals earnings on investments due to economic depreciation on investments resulting in a decrease of the fiduciary net position of the plan. The net Other Post Employment Benefit Plan (OPEB) liability primarily decreased due to an increase in the discount rate increasing from 2.18% to 3.54%

Total deferred inflows of resources decreased by \$4,468,963 which was primarily due to the University's proportionate share of the actuarially determined deferred gain on the defined benefit pension plan administered by Teachers Retirement System of Georgia (see previous paragraph) and Employees' Retirement System of Georgia and the deferred gain on the Other Post Employment Benefit Plan.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of \$2,856,892.

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, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Operating Revenue	\$ 20,334,469	\$ 22,443,353	\$ (2,108,884)	(9.40)%
Operating Expense	50,807,670	49,803,645	1,004,025	2.02 %
Operating Income/Loss	\$ (30,473,201)	\$ (27,360,292)	\$ (3,112,909)	(11.38)%
Non-Operating Revenue and Expense	\$ 33,203,605	\$ 25,942,680	\$ 7,260,925	27.99 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	\$ 2,730,404	\$ (1,417,612)	\$ 4,148,016	292.61 %
Other Revenues, Expenses, Gains, Losses and Special Items	\$ 126,488	\$ 1,851,545	\$ (1,725,057)	(93.17)%
Change in Net Position	\$ 2,856,892	\$ 433,933	\$ 2,422,959	558.37 %
Net Position at beginning of year	8,114,176	7,680,243	433,933	5.65 %
Net Position at End of Year	\$ 10,971,068	\$ 8,114,176	\$ 2,856,892	35.21 %

Some highlights of the information presented on this statement are as follows:

Revenues

Total Operating Revenues decreased \$2,108,884 (-9.4%). This reduction is due mostly to the elimination of the Special Institutional Fee in fiscal year 2023, which was offset by increased State Appropriations. Total Nonoperating Revenues/Expense increased by \$7,260,925 primarily in the categories of State Appropriations, which increased by \$4,946,805 (31.34%) for fiscal year 2023, and Other Nonoperating Revenue, which was due to the recognition of Employee Retention Credit revenue of \$4,026,105.

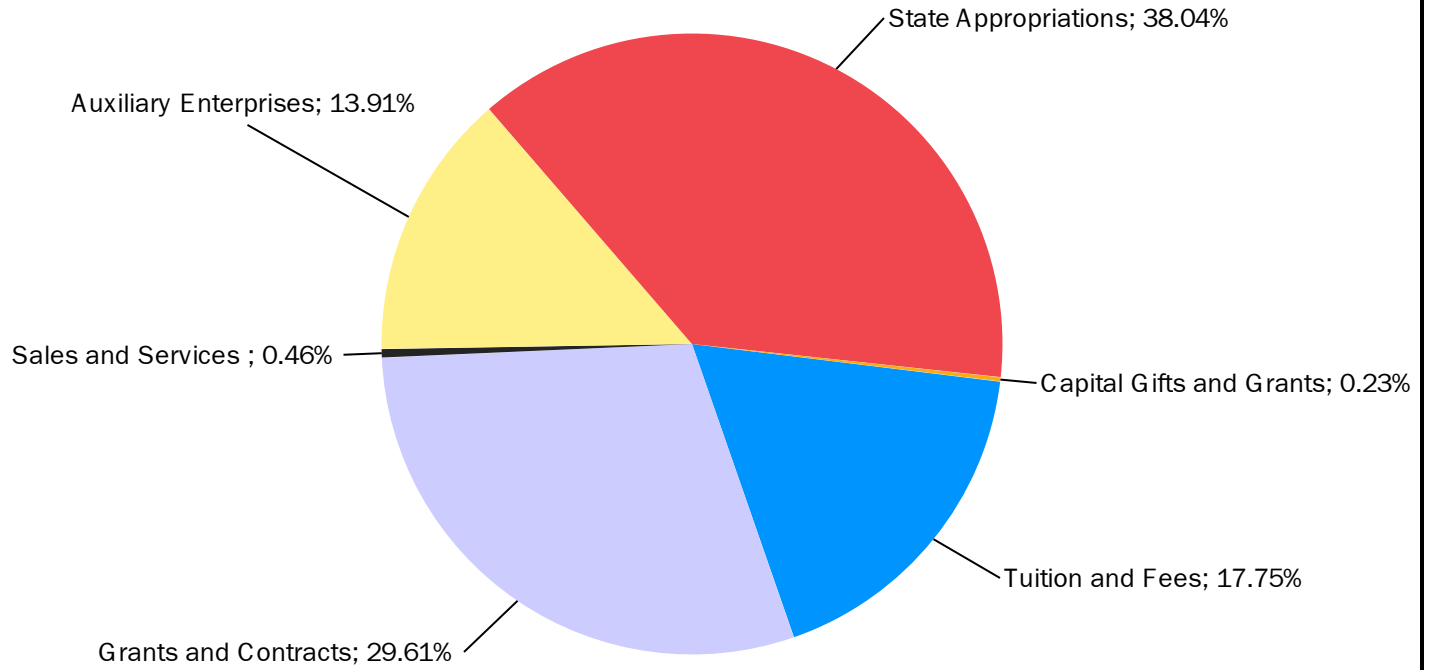
Capital Gifts and Grants Revenue in the category of state gifts decreased by \$1,247,534 due to having no large GSFIC-funded projects in fiscal year 2023.

For the years ended June 30, 2023 and June 30, 2022, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 9,672,821	\$ 12,251,907	\$ (2,579,086)	(21.05)%
Grants and Contracts	2,482,863	2,228,548	254,315	11.41 %
Sales and Services	248,151	246,152	1,999	0.81 %
Auxiliary Enterprises	7,581,476	7,400,559	180,917	2.44 %
Other Operating Revenues	349,158	316,187	32,971	10.43 %
Total Operating Revenues	\$ 20,334,469	\$ 22,443,353	\$ (2,108,884)	(9.40)%
State Appropriations	\$ 20,732,973	\$ 15,786,168	\$ 4,946,805	31.34 %
Grants and Contracts	12,500,463	10,769,800	1,730,663	16.07 %
Gifts	1,150,975	841,747	309,228	36.74 %
Investment Income	193,930	(189,407)	383,337	202.39 %
Total Nonoperating Revenues	\$ 34,578,341	\$ 27,208,308	\$ 7,370,033	27.09 %
State Capital Gifts and Grants	\$ —	\$ 1,247,534	\$ (1,247,534)	(100.00)%
Other Capital Gifts and Grants	126,488	604,011	(477,523)	(79.06)%
Total Capital Gifts and Grants	\$ 126,488	\$ 1,851,545	\$ (1,725,057)	(93.17)%
Total Revenues	\$ 55,039,298	\$ 51,503,206	\$ 3,536,092	6.87 %

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



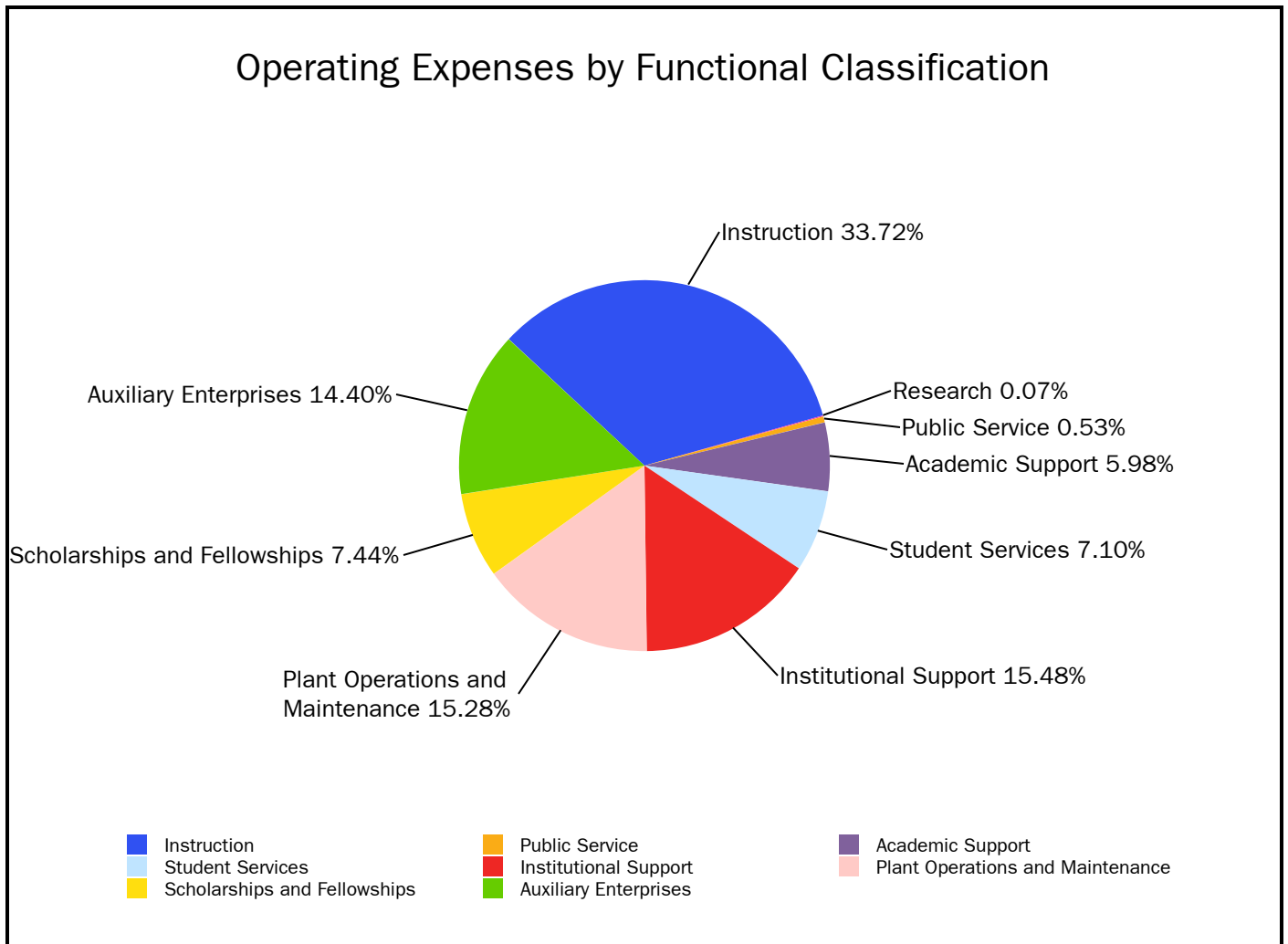
Expenses

For the years ended June 30, 2023 and June 30, 2022, expenses by functional classification were as follows:

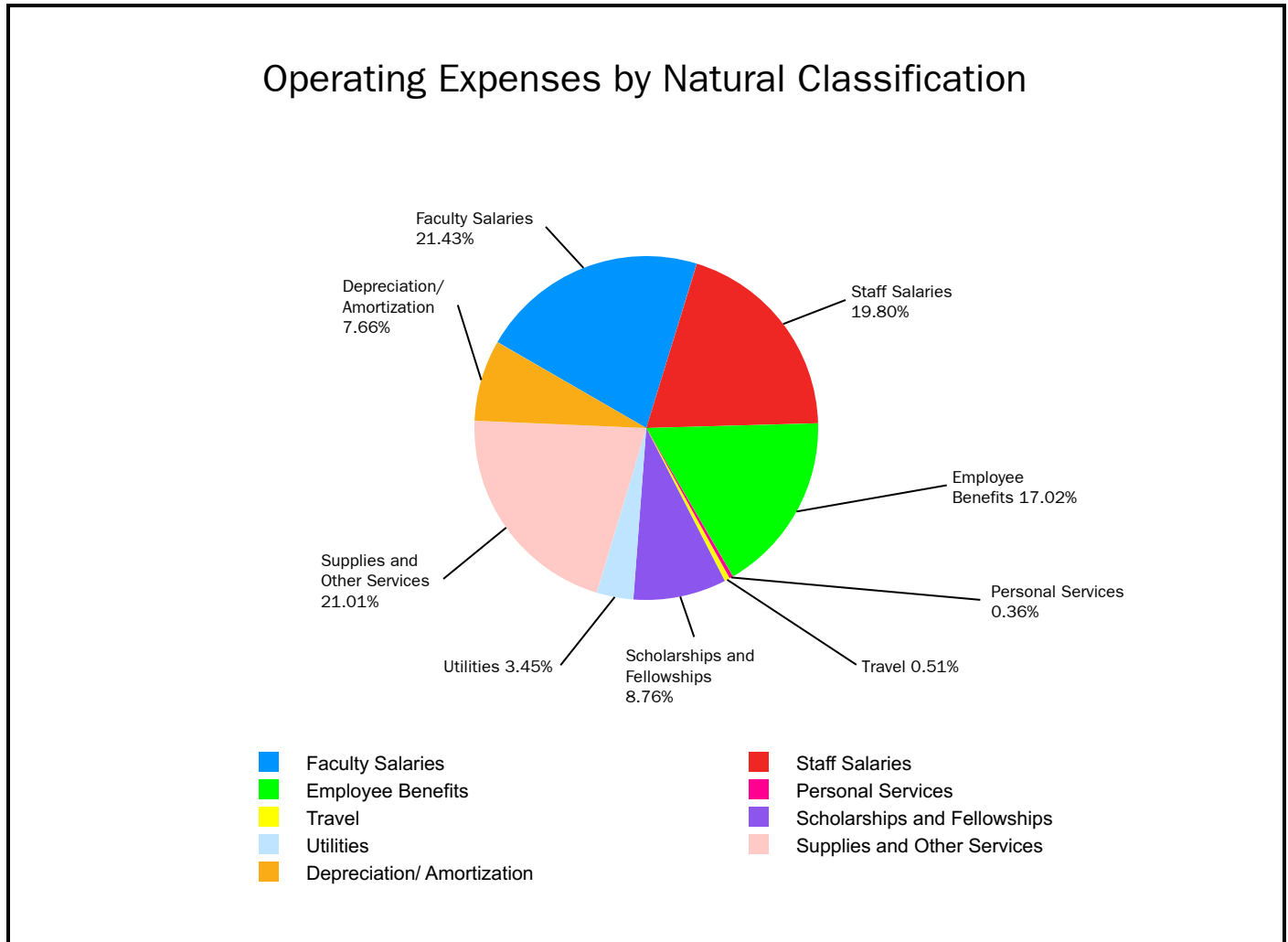
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Instruction	\$ 17,131,119	\$ 16,344,138	\$ 786,981	4.82 %
Research	35,772	27,502	8,270	30.07 %
Public Service	267,706	255,633	12,073	4.72 %
Academic Support	3,035,753	3,262,874	(227,121)	(6.96)%
Student Services	3,607,841	3,533,971	73,870	2.09 %
Institutional Support	7,866,232	6,984,661	881,571	12.62 %
Plant Operations and Maintenance	7,764,071	6,813,796	950,275	13.95 %
Scholarships and Fellowships	3,781,676	5,894,715	(2,113,039)	(35.85)%
Auxiliary Enterprises	7,317,500	6,686,355	631,145	9.44 %
Total Operating Expenses	\$ 50,807,670	\$ 49,803,645	\$ 1,004,025	2.02 %
Other Nonoperating Expenses	\$ 170,814	\$ —	\$ 170,814	100.00 %
Interest Expense	1,203,922	1,265,628	(61,706)	(4.88)%
Total Nonoperating Expenses	\$ 1,374,736	\$ 1,265,628	\$ 109,108	8.62 %
Total Expenses	\$ 52,182,406	\$ 51,069,273	\$ 1,113,133	2.18 %

Total operating expenses were \$50,807,670 in fiscal year 2023, an increase of \$1,004,025 (2.02%) when compared with fiscal year 2022. This net increase is primarily attributable to the increases/decreases in the following functional classifications: Instruction (\$786,981 increase), Institutional Support (\$881,571 increase), Plant Operations and Maintenance (\$950,275 increase), Auxiliary Enterprises (\$631,145 increase) and Scholarships and Fellowships (\$2,113,039 decrease). The majority of these increases were attributable to employee cost of living adjustments as well as inflationary cost pressures in all areas. The decrease in Scholarships is primarily due to HEERF federal funds for student aid disbursed in fiscal year 2022.

The following chart depicts the fiscal 2023 operating expenses by functional classification:



The following chart depicts the fiscal 2023 operating expenses by natural classification:



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, 2023 and June 30, 2022, Condensed:

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2023		June 30, 2022	
Cash Provided (Used) by:				
Operating Activities	\$	(27,934,715)	\$	(25,100,556)
Non-Capital Financing Activities		30,358,306		27,287,047
Capital and Related Financing Activities		(3,577,724)		(2,922,550)
Investing Activities		138,392		(4,554)
NET CHANGE IN CASH	\$	(1,015,741)	\$	(740,613)
Cash, beginning of year		9,938,187		10,678,800
CASH, end of year	\$	8,922,446	\$	9,938,187

Capital & Intangible Right-to-Use Assets

Capital assets, net of accumulated depreciation, at June 30, 2023 and June 30, 2022 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2023		June 30, 2022		Increase (Decrease)	% Change
Land	\$	1,084,007	\$	1,084,007	\$ —	0.00 %
Construction Work-in-Progress		133,482		92,138	41,344	44.87 %
Building and Building Improvements		71,209,141		74,358,331	(3,149,190)	(4.24)%
Facilities and Other Improvements		620,713		437,629	183,084	41.84 %
Equipment		858,327		947,164	(88,837)	(9.38)%
Library Collections		388,448		446,560	(58,112)	(13.01)%
Capitalized Collections		55,937		57,812	(1,875)	(3.24)%
Capital Assets, net of accumulated depreciation	\$	74,350,055	\$	77,423,641	\$ (3,073,586)	(3.97)%

Intangible Right-to-Use assets, net of accumulated amortization, at June 30, 2023 and June 30, 2022 were as follows:

INTANGIBLE RIGHT-TO-USE ASSETS, net of accumulated amortization	June 30, 2023		June 30, 2022		Increase (Decrease)	% Change
Equipment	\$	27,104	\$	68,783	(41,679)	(60.59)%
Intangible Right-to-Use Assets, net of accumulated amortization	\$	27,104	\$	68,783	\$ (41,679)	(60.59)%

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

Long Term Liabilities

Georgia Southwestern State University had Long-Term Liabilities of \$29,406,909, of which \$2,146,916 was reflected as a current liability at June 30, 2023. For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

Notes to the Financial Statements

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

Economic Outlook

Georgia Southwestern State University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those having a global effect on virtually all types of business operations, including inflationary pressures. The University's overall financial position is strong. The University will carefully monitor economic, enrollment, and health conditions in order to respond swiftly and effectively.

Financial Statements (GAAP Basis)

GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2023

Georgia Southwestern State
University

ASSETS

Current Assets

Cash and Cash Equivalents	\$	7,576,097
Cash and Cash Equivalents (Externally Restricted)		1,346,349
Short-term Investments (Externally Restricted)		567,710
Accounts Receivable, net		
Federal Financial Assistance		967,518
Affiliated Organizations		265,762
Other		5,075,550
Inventories		33,619
Prepaid Items		19,381
Total Current Assets		<u>15,851,986</u>

Non-Current Assets

Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund		267,598
Investments		378,473
Notes Receivable, net		4,957
Capital Assets, net		74,350,055
Intangible Right-to-Use Assets, net		27,104
Total Non-Current Assets		<u>75,028,187</u>

TOTAL ASSETS

90,880,173

DEFERRED OUTFLOWS OF RESOURCES

\$ 16,845,499

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

GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Georgia Southwestern State University
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 892,948
Salaries Payable	70,452
Benefits Payable	103,934
Contracts Payable	2,413
Retainage Payable	30,803
Advances (Including Tuition and Fees)	2,416,056
Deposits	27,340
Deposits Held for Other Organizations	7,249
Notes and Loans Payable	1,412,253
Lease Obligations	30,008
Compensated Absences	704,655
Total Current Liabilities	5,698,111
Non-Current Liabilities	
Notes and Loans Payable	26,965,521
Compensated Absences	294,472
Net Other Post Employment Benefits Liability	27,445,425
Net Pension Liability	23,853,489
Total Non-Current Liabilities	78,558,907
TOTAL LIABILITIES	84,257,018
DEFERRED INFLOWS OF RESOURCES	12,497,586
NET POSITION	
Net Investment in Capital Assets	45,091,340
Restricted for:	
Nonexpendable	567,710
Expendable	414,237
Unrestricted (Deficit)	(35,102,219)
TOTAL NET POSITION	\$ 10,971,068

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

GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023

	Georgia Southwestern State University
OPERATING REVENUES	
Student Tuition and Fees (net)	\$ 9,672,821
Grants and Contracts	
Federal	38,686
State	282,382
Other	2,161,795
Sales and Services	248,151
Rents and Royalties	650
Auxiliary Enterprises	
Residence Halls	3,573,831
Bookstore	67,315
Food Services	2,157,448
Parking/Transportation	62,043
Health Services	280,704
Intercollegiate Athletics	956,763
Other Organizations	483,372
Other Operating Revenues	348,508
Total Operating Revenues	<u>20,334,469</u>
OPERATING EXPENSES	
Faculty Salaries	10,888,105
Staff Salaries	10,060,829
Employee Benefits	8,646,904
Other Personal Services	182,738
Travel	257,298
Scholarships and Fellowships	4,453,884
Utilities	1,751,167
Supplies and Other Services	10,676,505
Depreciation and Amortization	3,890,240
Total Operating Expenses	<u>50,807,670</u>
Operating Income (Loss)	<u>\$ (30,473,201)</u>

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

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023**

	Georgia Southwestern State University
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	\$ 20,732,973
Grants and Contracts	
Federal	8,474,358
Other	4,026,105
Gifts	1,150,975
Investment Income (Loss)	193,930
Interest Expense	(1,203,922)
Other Nonoperating Revenues (Expenses)	(170,814)
	<hr/>
Net Nonoperating Revenues	33,203,605
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Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	2,730,404
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Capital Grants and Gifts	
Other	126,488
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Total Other Revenues, Expenses, Gains or Losses	126,488
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Change in Net Position	2,856,892
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Net Position, End of Year	\$ 10,971,068
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The notes to the financial statements are an integral part of this statement.

GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2023

	Georgia Southwestern State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 16,342,991
Grants and Contracts (Exchange)	2,453,337
Payments to Suppliers	(20,958,587)
Payments to Employees	(21,321,087)
Payments for Scholarships and Fellowships	(4,453,884)
Other Receipts	2,515
Net Cash Used by Operating Activities	<u>(27,934,715)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	20,732,973
Gifts and Grants Received for Other Than Capital Purposes	9,625,333
Net Cash Flows Provided by Non-Capital Financing Activities	<u>30,358,306</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	74,626
Purchases of Capital and Intangible Right-to-Use Assets	(980,614)
Principal Paid on Capital Debt and Leases	(1,403,058)
Interest Paid on Capital Debt and Leases	(1,268,678)
Net Cash Used by Capital and Related Financing Activities	<u>(3,577,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,931
Investment Income	136,461
Net Cash Provided by Investing Activities	<u>138,392</u>
Net Decrease in Cash and Cash Equivalents	(1,015,741)
Cash and Cash Equivalents, Beginning of Year	<u>9,938,187</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,922,446</u>

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

GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2023

Georgia Southwestern
State University

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (30,473,201)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation and Amortization	3,890,240
Change in Assets and Liabilities:	
Receivables, net	(702,419)
Inventories	13,475
Prepaid Items	(4,878)
Accounts Payable	(1,277,006)
Salaries Payable	(148,867)
Benefits Payable	16,504
Deposits	1,865
Advances (Including Tuition and Fees)	477,521
Funds Held for Others	2,515
Compensated Absences	33,966
Net Pension Liability	17,129,342
Other Post-Employment Benefit Liability	(7,484,356)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	(4,373,322)
Deferred Outflows of Resources	(5,036,094)
Net Cash Used by Operating Activities	<u>\$ (27,934,715)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	<u>\$ 4,026,105</u>
Current Year Accruals Related to Capital Financing Activities	<u>\$ 51,861</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (170,814)</u>
Accrual of Capital Asset Related Payables	<u>\$ 33,216</u>
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	<u>\$ 64,757</u>
Unrealized Gain (Loss) on Investments	<u>\$ 57,469</u>

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

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Custodial Funds</u>
ASSETS	
Receivables	
Other	\$ 377,136
LIABILITIES	
Cash Overdraft	211,059
Accounts Payable	3,591
Deposits held for other organizations	5,777
Total Liabilities	<u>220,427</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u>\$ 156,709</u>

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Custodial Funds</u>
ADDITIONS	
Federal Financial Aid	\$ 12,075,048
State Financial Aid	3,492,016
Other Financial Aid	901,571
Clubs and Other Organizations Fund Raising	<u>615,828</u>
Total Additions	<u>17,084,463</u>
DEDUCTIONS	
Scholarships and Other Student Support	16,452,188
Student Organizations Support	<u>532,413</u>
Total Deductions	<u>16,984,601</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>99,862</u>
Net Position, Beginning of Year	
Net Position, Beginning of Year, As Originally Reported	<u>56,847</u>
Net Position, End of Year	<u><u>\$ 156,709</u></u>

Notes to the Financial Statements

GEORGIA SOUTHWESTERN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 91 to fiscal year 2023. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The adoption of this statement does not have a significant impact on the financial statements and will be applied prospectively.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal years beginning after June 15, 2022. The objectives of this statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement does not have a significant impact on the financial statements and will be applied retroactively. The adoption of this statement does not have a significant impact on the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This statement defines subscription-based information technology arrangements and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use asset for contracts that meet the definition of a subscription-based information technology arrangement. The adoption of this statement does not have a significant impact on the financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, effective for certain elements of the requirement effective upon issuance. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation. The adoption of this statement does not have a significant impact on the financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

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

Accounts Receivable

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

Inventories

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

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

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

Intangible Right-To-Use Assets

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

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

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.

Compensated Absences

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

Non-current Liabilities

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

Deferred Inflows of Resources

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

Other Post-Employment Benefit (OPEB)

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

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

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

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

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets and intangible right-to-use assets. To the extent debt has been incurred but not yet expended for capital assets or intangible right-to-use assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - 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 \$5,384,890.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2023 are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	7,576,097
Cash and Cash Equivalents (Externally Restricted)		1,346,349
Short-term Investments (Externally Restricted)		567,710

Noncurrent

Non Current - Investments		378,473
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Statement of Fiduciary Net Position

Cash and Cash Equivalents		(211,059)
	\$	<u>9,657,570</u>

Cash on hand, deposits and investments as of June 30, 2023 consist of the following:

Cash on Hand	\$	4,480
Deposits with Financial Institutions		4,293,866
Investments		5,359,224
	\$	<u>9,657,570</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, 2023, the bank balances of the University's deposits totaled \$4,832,563. 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.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies, such as matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. Investments classified in Level 3 include guaranteed investment contracts. Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

Net Asset Value (NAV) – Investments whose fair value is measured at the NAV are excluded from the fair value hierarchy as a practical expedient to fair value. Investments reported at NAV include real estate funds that invest primarily in U.S. commercial real estate. The fair values of real estate investments in this category have been estimated using the net asset value of the University's ownership interest in partners' capital. Real estate investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from real estate investment funds will be received as the underlying investments of a fund are liquidated.

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2023.

	Fair Value	Fair Value Hierarchy
		Level 1
Investment type:		
Debt Securities		
U.S. Agencies		
Mutual Bond Funds	\$ 402,018	\$ 402,018
Other Investments		
Equity Mutual Funds - Domestic	478,123	478,123
Equity Mutual Funds - International	94,104	94,104
	974,245	\$ 974,245
Investment Pools		
Board of Regents		
Short-Term Fund	1,699,825	
Office of the State Treasurer		
Georgia Fund 1	2,685,154	
Total Investments	\$ 5,359,224	

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 four years, and the fund will typically have an overall average duration of ¾ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market

value of the University's position in the Short-Term Fund at June 30, 2023 was \$1,699,825, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.93 years.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the 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, \$1.00 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 28 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments that will adversely affect the fair value of an investment. The University's policy for managing interest rate risk attempts to match investments with expected cash requirements.

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
Mutual Bond Funds	\$ 402,018	\$ —	\$ 9,406	\$ 18,163	\$ 374,449	\$ —
	402,018	\$ —	\$ 9,406	\$ 18,163	\$ 374,449	\$ —
Other Investments						
Equity Mutual Funds - Domestic	478,123					
Equity Mutual Funds - International	94,104					
Investment Pools						
Board of Regents						
Short-Term Fund	1,699,825					
Office of the State Treasurer						
Georgia Fund 1	2,685,154					
Total Investments	\$ 5,359,224					

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2023, \$0 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk for investments.

1. In the Short-Term Fund, all debt issues must be eligible investments under O.C.G.A. § 50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.
2. The Georgia Fund 1 Investment Pool is managed by the Office of the State Treasurer (OST). OST utilizes a counterparty risk assessment model to assess credit risk of financial institutions that have been approved to serve as counterparties and major depositories. OST has assigned credit limits to each financial institution based upon counterparty risk assessment model which incorporates market indicators, default probabilities, issuer research and issuer ratings to determine maximum credit exposure per institution, term of investment

for respective counterparties and collateralization requirements in accordance with the OST Investment Policy.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	BB	B	Unrated
Related Debt Investments								
Mutual Bond Funds	\$ 402,018	\$ 309,332	\$ 74,523	\$—	\$ —	\$ 18,163	\$ —	\$ —
	<u>\$ 402,018</u>	<u>\$ 309,332</u>	<u>\$ 74,523</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,163</u>	<u>\$ —</u>	<u>\$ —</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, 2023:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 779,266	\$ —
Auxiliary Enterprises and Other Operating Activities	325,629	—
Federal Financial Assistance	967,518	100,083
Georgia Student Finance Commission	—	275,760
Georgia State Financing and Investment Commission	46,084	—
Due from Affiliated Organizations	265,762	\$ —
Due From Other USG Institutions	303,833	—
Other	4,168,488	1,293
	<u>6,856,580</u>	<u>377,136</u>
Less: Allowance for Doubtful Accounts	280,152	—
Net Accounts Receivable	<u>\$ 6,576,428</u>	<u>\$ 377,136</u>

Other accounts receivable includes approximately \$10,628 in state grants and contracts, \$110,677 in private funds and \$4,048,476 in miscellaneous receivables which contains approximately \$4,026,105 of Employee Retention Credit funds.

Note 4 Inventories

Inventories consisted of the following at June 30, 2023:

Consumable Supplies	\$ 13,700
Merchandise for Resale	<u>19,919</u>
Total	<u>\$ 33,619</u>

Note 5 Notes and Loans Receivable

Notes receivable consists of resources made available for financial loans to students of the Institution. Allowances for uncollectible loans are reported based on management's best estimate considering type, age, collection history, and other factors considered appropriate. At June 30, 2023, the allowance for uncollectible loans was \$0.

Note 6 Capital Assets and Intangible Right-to-Use Assets

Changes in capital assets for the year ended June 30, 2023 are shown below:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	\$ 1,084,007	\$ —	\$ —	\$ 1,084,007
Capitalized Collections	—	—	—	—
Construction Work-in-Progress	92,138	497,899	456,555	133,482
Total Capital Assets Not Being Depreciated	1,176,145	497,899	456,555	1,217,489
Capital Assets, Being Depreciated:				
Building and Building Improvements	133,905,682	456,554	900,999	133,461,237
Facilities and Other Improvements	1,821,874	219,893	—	2,041,767
Equipment	4,610,565	177,202	256,675	4,531,092
Library Collections	7,790,619	50,796	461	7,840,954
Capitalized Collections	75,000	—	—	75,000
Total Capital Assets Being Depreciated	148,203,740	904,445	1,158,135	147,950,050
Less: Accumulated Depreciation				
Building and Building Improvements	59,547,351	3,434,930	730,185	62,252,096
Facilities and Other Improvements	1,384,245	36,809	—	1,421,054
Equipment	3,663,401	266,039	256,675	3,672,765
Library Collections	7,344,059	108,908	461	7,452,506
Capitalized Collections	17,188	1,875	—	19,063
Total Accumulated Depreciation	71,956,244	3,848,561	987,321	74,817,484
Total Capital Assets, Being Depreciated, Net	76,247,496	(2,944,116)	170,814	73,132,566
Capital Assets, net	\$ 77,423,641	\$ (2,446,217)	\$ 627,369	\$ 74,350,055

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.

At June 30, 2023 there were not any projects transferred from GSFIC to the University. In addition, GSFIC did not have any projects construction in progress related to incomplete GSFIC managed projects for the University.

Intangible Right-to-Use Assets

Changes in intangible assets for the year ended June 30, 2023 are shown below:

	Beginning Balances July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023
Intangible Right-to-use Assets				
Equipment	\$ 202,986	—	—	\$ 202,986
Total Leased Assets Being Amortized	202,986	—	—	202,986
Less: Accumulated amortization				
Equipment	134,203	41,679	—	175,882
Total Accumulated Amortization	134,203	41,679	—	175,882
Intangible Right-to-use Assets, net	<u>\$ 68,783</u>	<u>\$ (41,679)</u>	<u>\$ —</u>	<u>\$ 27,104</u>

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

Fiscal Year	Depreciation & Amortization Expense
2023	3,890,240
2022	3,769,513
2021	3,443,272

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2023:

	Current Liabilities
Prepaid Tuition and Fees	\$ 1,159,430
Other - Advances	1,256,626
Totals	<u>\$ 2,416,056</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Lease Obligations					
Lease Obligations	\$ 78,192	\$ —	\$ 48,184	\$ 30,008	\$ 30,008
Other Liabilities					
Compensated Absences	965,161	716,715	682,749	999,127	704,655
Notes and Loans Payable	29,732,648	—	1,354,874	28,377,774	1,412,253
Total	<u>30,697,809</u>	<u>716,715</u>	<u>2,037,623</u>	<u>29,376,901</u>	<u>2,116,908</u>
Total Long-Term Obligations	<u>\$ 30,776,001</u>	<u>\$ 716,715</u>	<u>\$ 2,085,807</u>	<u>\$ 29,406,909</u>	<u>\$ 2,146,916</u>

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

Notes and Loans Payable

The University entered into a notes payable to secure PPV Housing. The interest rate for the notes vary between years and matures during fiscal years 2037 & 2039.

Financing Lease Agreements

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

In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to financing lease agreements for fiscal year 2023 were \$1,354,874 and \$1,262,132, respectively. Interest rates range from 4.04% to 4.455%.

The University has \$28,377,774 in outstanding notes and loans payable due to affiliated organizations and other related party organizations for financing lease agreements.

The following is a summary of the carrying values of assets held under financing lease agreements at June 30, 2023:

Description	Gross Amount	Less: Accumulated Amortization	Net Assets Held Under Financing Lease Arrangements at June 30, 2023	Outstanding Balances per Lease Schedules at June 30, 2023
	(+)	(-)	(=)	
Finance Buildings and Building Improvements	\$ 38,176,156	\$ 17,958,324	\$ 20,217,832	\$ 28,377,774

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

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
GSW Oaks I & II, and Pines Hall	USG RE Fdn VIII, LLC	\$ 21,312,173.00	19 years	June 2018	May 2037	\$17,251,929.00 (1)
GSW Magnolia I & II	USG RE Fdn VIII, LLC	13,411,536.00	21 years	June 2018	May 2039	11,125,845.00 (1)
Total Leases		<u>\$ 34,723,709</u>				<u>\$28,377,774</u>

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

Below is the annual debt service related to the outstanding notes and loans payable at June 30, 2023.

Year Ending June 30:	Principal	Interest
2024	\$ 1,412,253	\$ 1,206,429
2025	1,475,291	1,141,689
2026	1,539,773	1,077,463
2027	1,608,575	1,010,411
2028	1,679,046	942,894
2029 through 2033	9,565,141	3,540,130
2034 through 2038	10,171,663	1,282,255
2039 through 2043	926,032	28,212
Total Minimum Lease Payments	<u>\$ 28,377,774</u>	<u>\$ 10,229,483</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2023, consisted of the following:

Deferred Outflow of Resources

Deferred Outflow on Debt Refunding	\$ 494,160
Deferred Outflow on Defined Benefit Pension Plans (See Note 14)	11,676,933
Deferred Outflow on OPEB Plan (See Note 17)	4,674,406
Total Deferred Outflows of Resources	<u>\$ 16,845,499</u>

Deferred Inflow of Resources

Deferred Inflow on Debt Refunding	\$ 1,338,978
Deferred Inflow on Defined Benefit Pension Plans (See Note 14)	515,832
Deferred Inflow on OPEB Plan (See Note 17)	10,642,776
Total Deferred Inflows of Resources	<u>\$ 12,497,586</u>

Deferred Loss/Gain on Debt Refunding

The unamortized deferred gain or loss on debt refunding related to changes in the provisions of various leases that resulted from a refunding by the lessor of tax-exempt debt in which the a portion of the perceived economic advantages of the refunding where passed through to the Institution.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2023 is as follows:

Net Investment in Capital Assets	\$ 45,091,340
Restricted for	
Nonexpendable	
Permanent Endowment	<u>567,710</u>
Expendable	
Sponsored and Other Organized Activities	192,460
Institutional Loans	<u>221,777</u>
Sub-Total	<u>414,237</u>
Unrestricted	
Auxiliary Enterprises Operations	5,434,328
Reserve for Encumbrances	2,233,075
Reserve for Inventory	33,618
Capital Liability Reserve Fund	267,598
Other Unrestricted	<u>(43,070,838)</u>
Sub-Total	<u>(35,102,219)</u>
Total Net Position	<u>\$ 10,971,068</u>

Other unrestricted net position is reduced by \$33,413,795 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan. Other unrestricted net position is also reduced by \$12,692,388 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation, student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Net Investments in Capital Assets	\$ 46,703,967	\$ 2,348,847	\$ 3,961,474	\$ 45,091,340
Restricted Net Position	960,096	15,109,814	15,087,963	981,947
Unrestricted Net Position	<u>(39,549,887)</u>	<u>39,929,484</u>	<u>35,481,816</u>	<u>(35,102,219)</u>
Total Net Position	<u>\$ 8,114,176</u>	<u>\$ 57,388,145</u>	<u>\$ 54,531,253</u>	<u>\$ 10,971,068</u>

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation on endowment investments available for authorization for expenditure was \$33,322 and is reflected as expendable restricted net position.

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

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

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

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2023. In addition to these encumbrances, the University had no other significant unearned outstanding construction or renovation contracts as of June 30, 2023.

Note 13 Leases

The University leases equipment. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to leases for fiscal year 2023 were \$48,184 and \$6,546, respectively. Interest rates range from 5.7909% to 12.6921%.

The following is a summary of the carrying values of intangible right-to-use assets held under lease at June 30, 2023:

Description	Gross Amount (+)	Less: Accumulated Amortization (-)	Net, Assets Held Under Lease Obligations at June 30,2023 (=)	Outstanding Balance per Lease Schedules at June 30, 2023
Leased Equipment	\$ 202,986	\$ 175,882	\$ 27,104	\$ 30,008
Total Assets Held Under Lease	<u>\$ 202,986</u>	<u>\$ 175,882</u>	<u>\$ 27,104</u>	<u>\$ 30,008</u>

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

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
GSW SES copiers	Ricoh	\$ 8,105.00	3 years	July 2021	October 2023	\$ 972.00
GSW GCC Ranger	Yamaha	6,822	5 years	July 2021	September 2023	400
GSW GCC Golf Carts	Yamaha	161,092	5 years	July 2021	January 2024	24,435
GSW GCC Utility Vehicle	Yamaha	<u>26,967</u>	5 years	July 2021	February 2024	<u>4,201</u>
Total Leases		<u>\$ 202,986</u>				<u>\$ 30,008</u>

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

Below is the future commitments related to the outstanding lease obligations as of June 30, 2023:

	Principal	Interest
Year Ending June 30:		
2024	<u>\$ 30,008</u>	<u>\$ 1,180</u>

Note 14. Retirement Plans

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

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

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

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

General Information about the Teachers Retirement System

Plan description

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

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2023. The University's contractually required contribution rate for the year ended June 30, 2023 was 19.98% of the University's annual payroll. The University's contributions to TRS totaled \$2,202,883 for the year ended June 30, 2023.

General Information about the Employees' Retirement System

Plan description

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

Benefits provided

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

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

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2023 was 31.01% of annual covered payroll for old and new plan members and 27.47% for GSEPS members. The rates include the annual actuarially determined contribution rate of 24.67% of annual covered payroll for old and new plan members and 21.59% for GSEPS members, plus a 6.34% adjustment to the old and new plan and a 5.88% adjustment to the GSEPS plan for the commencement of COLA prefunding for certain retired ERS members. The University's contributions to ERS totaled \$114,959 for the year ended June 30, 2023. 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, 2023, 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, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 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, 2022. At June 30, 2022, the University's TRS proportion was 0.070905%, which was an decrease of (0.002090)% from its proportion measured as of June 30, 2021. At June 30, 2022, the University's ERS proportion was 0.012417%, which was a increase of 0.000949% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$3,427,210 for TRS and \$255,173 for ERS. At June 30, 2023, 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	\$ 955,741	\$ 119,846	\$ 1,781	\$ 7,521
Changes of assumptions	3,465,880	—	147,410	—
Net difference between projected and actual earnings on pension plan investments	4,523,605	—	96,352	—
Changes in proportion and differences between contributions and proportionate share of contributions	138,146	388,465	30,176	—
Contributions subsequent to the measurement date	2,202,883	—	114,959	—
Total	\$ 11,286,255	\$ 508,311	\$ 390,678	\$ 7,521

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, 2024. 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
2024	\$ 2,375,847	\$ 151,392
2025	\$ 1,699,767	\$ 40,304
2026	\$ 1,253,864	\$ 2,403
2027	\$ 3,245,583	\$ 74,099

Actuarial assumptions

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 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	6.90%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the investment rate of return and payroll growth assumption.

Employees' Retirement System

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal

returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	TRS Long-term expected real rate of return*	ERS target allocation	ERS Long-term expected real rate of return*
Fixed income	30.00 %	0.20 %	30.00 %	0.20 %
Domestic large equities	46.30 %	9.40 %	46.30 %	9.40 %
Domestic small equities	1.20 %	13.40 %	1.20 %	13.40 %
International developed market equities	12.30 %	9.40 %	12.30 %	9.40 %
International emerging market equities	5.20 %	11.40 %	5.20 %	11.40 %
Alternatives	5.00 %	10.50 %	5.00 %	10.50 %
Total	<u>100.00 %</u>		<u>100.00 %</u>	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 6.90% and 7.00% respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute'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, 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 5.90%	Current discount rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension liability	\$ 34,735,929	\$ 23,024,224	\$ 13,460,068

Employees' Retirement System:

	1% Decrease 6.00 %	Current discount rate 7.00 %	1% Increase 8.00 %
Proportionate share of the net pension liability	\$ 1,103,905	\$ 829,265	\$ 598,314

Pension plan fiduciary net position

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

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

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

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2023, 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 \$680,412 (9.24%) and \$441,826 (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 2023, 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

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 2023, 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, 2023:

Active Employees	288
Retirees or Beneficiaries Receiving Benefits	160
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	<u>27</u>
Total	<u><u>475</u></u>

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

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2023 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 2023, the University contributed \$715,116 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, 2023, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2022. An expected total OPEB liability as of June 30, 2022 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, 2022. At June 30, 2022, the University's proportion was 0.692835%, which was an decrease of (0.001169)% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the University recognized OPEB expense of \$(413,858). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,267,273	\$ 229,843
Changes of assumptions	2,359,761	9,883,590
Net difference between projected and actual earnings on OPEB plan investments	111,031	—
Changes in proportion and differences between contributions and proportionate share of contributions	221,225	529,343
Contributions subsequent to the measurement date	<u>715,116</u>	<u>—</u>
Total	<u><u>\$ 4,674,406</u></u>	<u><u>\$ 10,642,776</u></u>

The University's contributions subsequent to the measurement date of \$715,116 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, 2024. 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:		
2024	\$	(1,806,836)
2025	\$	(1,800,248)
2026	\$	(1,784,757)
2027	\$	(1,213,239)
2028	\$	(78,406)

Actuarial assumptions

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of May 1, 2022 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 6/30/2022 3.54% GO 20-Municipal Bond Index Rate Interest Rate as of 6/30/2021 2.16% from Bond Buyers GO 20- Municipal Bond Index; Discount Rate 2.18%
	Long-term Rate of Return 4.36% General Inflation 2.40% Salary Increase 3.75%
Mortality Rates	Pub - 2010 for Teachers (headcount weighted) projected with a scale MP-2021
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7%
Medicare Eligible	4%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4%
Year Ultimate Trend is Reached	Fiscal Year 2034 for Pre-Medicare Eligible, Fiscal Year 2022 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019 with the exception of the disability and salary increase assumptions. These assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which covered the five year period ending June 30, 2018.

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Trend rate schedule was updated to reflect anticipated future experience.
- Mortality improvement scale was updated from MP-2020 to MP-2021.
- Mortality base rates for future disabled participants were updated to reflect Pub-2010 for Teachers (headcount weighted) disabled mortality,
- The discount rate was updated from 2.18% as of June 30, 2021, to 3.54% as of June 30, 2022; and
- The Expected Return on Assets was changed from 4.37% to 4.36%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected

rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	0.34 %	70 %
Equity Allocation	4.03 %	30 %

Discount rate

The Plan's projected fiduciary net position at the end of 2025 is \$0, based on the valuation completed for the fiscal year ending June 30, 2022. 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 2026. Therefore, the long-term expected rate of return on Plan investments of 4.36% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2022. 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 3.54% from the Bond Buyers GO 20-Bond Municipal Bond Index. This rate is comprised primarily of the yield or index rate for a 20 year, tax exempt general obligation municipal bond with an average rating of AA or higher (2.16% from the Bond Byers GO 20-Bond Municipal Bond Index).

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

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.54%) or 1% higher (4.54%) than the current discount rate (3.54%):

	1% Decrease 2.54%	Current Rate 3.54%	1% Increase 4.54%
Proportionate Share of the Net OPEB Liability	\$ 32,602,255	\$ 27,445,425	\$ 23,386,685

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	\$ 23,550,890	\$ 27,445,425	\$ 32,446,620
Pre-Medicare Eligible	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Medicare Eligible	3%	4%	5%

OPEB plan fiduciary net position:

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

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2023 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 10,336,340	\$ 1,843,560	\$ 3,960,350	\$ 6,562	\$ 82,793
Research	27,380	—	2,095	—	481
Public Service	25,699	17,666	3,123	—	2,845
Academic Support	277,122	1,570,335	692,668	—	36,829
Student Services	—	1,874,013	666,681	—	73,536
Institutional Support	220,464	2,813,681	2,486,722	176,176	28,166
Plant Operations and Maintenance	—	1,332,124	461,801	—	2,869
Scholarships and Fellowships	—	—	188,946	—	—
Auxiliary Enterprises	1,100	609,450	184,518	—	29,779
Total Operating Expenses	\$ 10,888,105	\$ 10,060,829	\$ 8,646,904	\$ 182,738	\$ 257,298

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 27,291	\$ 71,070	\$ 786,157	\$ 16,996	\$ 17,131,119
Research	3,600	—	2,216	—	35,772
Public Service	—	5,677	208,682	4,014	267,706
Academic Support	—	7,606	319,309	131,884	3,035,753
Student Services	2,500	24,578	959,270	7,263	3,607,841
Institutional Support	—	26,910	1,987,856	126,257	7,866,232
Plant Operations and Maintenance	—	1,564,342	1,995,409	2,407,526	7,764,071
Scholarships and Fellowships	3,592,730	—	—	—	3,781,676
Auxiliary Enterprises	827,763	50,984	4,417,606	1,196,300	7,317,500
Total Operating Expenses	\$ 4,453,884	\$ 1,751,167	\$ 10,676,505	\$ 3,890,240	\$ 50,807,670

Note 19 Subsequent Event

There were no subsequent events at June 30, 2023.

Required Supplementary Information

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
FOR THE LAST TEN FISCAL YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2023	\$ 114,959	\$ 114,959	\$ —	\$ 372,384	30.87%
	June 30, 2022	\$ 74,615	\$ 74,615	\$ —	\$ 302,550	24.66%
	June 30, 2021	\$ 67,823	\$ 67,823	\$ —	\$ 274,900	24.67%
	June 30, 2020	\$ 63,721	\$ 63,721	\$ —	\$ 258,617	24.64%
	June 30, 2019	\$ 49,263	\$ 49,263	\$ —	\$ 198,801	24.78%
	June 30, 2018	\$ 41,627	\$ 41,627	\$ —	\$ 167,784	24.81%
	June 30, 2017	\$ 38,772	\$ 38,772	\$ —	\$ 156,277	24.81%
	June 30, 2016	\$ 19,942	\$ 19,942	\$ —	\$ 80,672	24.72%
	June 30, 2015	\$ 13,401	\$ 13,401	\$ —	\$ 61,025	21.96%
	June 30, 2014	\$ 11,077	\$ 11,077	\$ —	\$ 60,005	18.46%
Teachers' Retirement System	June 30, 2023	\$ 2,202,883	\$ 2,202,883	\$ —	\$ 11,209,954	19.65%
	June 30, 2022	\$ 1,905,078	\$ 1,905,078	\$ —	\$ 9,586,946	19.87%
	June 30, 2021	\$ 1,810,938	\$ 1,810,938	\$ —	\$ 9,497,254	19.07%
	June 30, 2020	\$ 1,989,306	\$ 1,989,306	\$ —	\$ 9,385,529	21.20%
	June 30, 2019	\$ 1,899,496	\$ 1,899,496	\$ —	\$ 9,088,498	20.90%
	June 30, 2018	\$ 1,423,717	\$ 1,423,717	\$ —	\$ 8,469,597	16.81%
	June 30, 2017	\$ 1,133,578	\$ 1,133,578	\$ —	\$ 7,943,778	14.27%
	June 30, 2016	\$ 1,034,685	\$ 1,034,685	\$ —	\$ 7,250,770	14.27%
	June 30, 2015	\$ 971,841	\$ 971,841	\$ —	\$ 7,390,420	13.15%
	June 30, 2014	\$ 869,262	\$ 869,262	\$ —	\$ 7,078,683	12.28%

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST NINE FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	June 30, 2023	0.012417 %	\$ 829,265	\$ 302,550	274.09 %	67.44 %
	June 30, 2022	0.011468 %	\$ 268,226	\$ 274,900	97.57 %	87.62 %
	June 30, 2021	0.010014 %	\$ 422,086	\$ 258,617	163.21 %	76.21 %
	June 30, 2020	0.007885 %	\$ 325,377	\$ 198,801	163.67 %	76.74 %
	June 30, 2019	0.006578 %	\$ 270,424	\$ 167,784	161.17 %	76.68 %
	June 30, 2018	0.006580 %	\$ 267,236	\$ 156,277	171.00 %	76.33 %
	June 30, 2017	0.003470 %	\$ 164,146	\$ 80,672	203.47 %	72.34 %
	June 30, 2016	0.002669 %	\$ 108,132	\$ 61,025	177.19 %	76.20 %
	June 30, 2015	0.002665 %	\$ 99,954	\$ 60,005	166.58 %	77.99 %
Teachers Retirement System	June 30, 2023	0.070905 %	\$ 23,024,224	\$ 9,586,946	240.16 %	72.85 %
	June 30, 2022	0.072995 %	\$ 6,455,921	\$ 9,497,254	67.98 %	92.03 %
	June 30, 2021	0.072797 %	\$ 17,634,283	\$ 9,385,529	187.89 %	77.01 %
	June 30, 2020	0.074194 %	\$ 15,953,716	\$ 9,088,498	175.54 %	78.56 %
	June 30, 2019	0.071108 %	\$ 13,199,168	\$ 8,469,597	155.84 %	80.27 %
	June 30, 2018	0.069183 %	\$ 12,857,874	\$ 7,943,778	161.86 %	79.33 %
	June 30, 2017	0.066102 %	\$ 13,637,580	\$ 7,250,770	188.08 %	76.06 %
	June 30, 2016	0.070014 %	\$ 10,658,936	\$ 7,390,420	144.23 %	81.44 %
	June 30, 2015	0.069385 %	\$ 8,765,880	\$ 7,078,683	123.83 %	84.03 %

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

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

Changes of assumptions

Employees' Retirement System:

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

On April 21, 2022, the Board adopted a new funding policy which, in part, provides that the Actuarial Accrued Liability and Normal Cost of the System will include a prefunded variable Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System. Under the new policy, future COLAs are provided through a profit-sharing mechanism using the System's asset performance. The assumption for future COLAs was set at 1.05%. In addition, the funding policy set the assumed rate of return at 7.20% for the June 30, 2021 valuation and established a new Transitional Unfunded Actuarial Accrued Liability as of June 30, 2021 which will be amortized over a closed 20-year period.

Teachers Retirement System:

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

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

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

On May 11, 2022, the Board adopted recommended changes to the long-term assumed rate of return and payroll growth assumption utilized by the System. The long-term assumed rate of return was changed from 7.25% to 6.90%, and the payroll growth assumption was changed from 3.00% to 2.50%.

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SEVEN FISCAL YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
June 30, 2023	\$ 715,116	\$ 715,116	\$ —	\$ 19,701,930	3.63%
June 30, 2022	\$ 1,013,915	\$ 1,013,915	\$ —	\$ 18,848,712	5.38%
June 30, 2021	\$ 814,627	\$ 814,627	\$ —	\$ 18,301,085	4.45%
June 30, 2020	\$ 707,724	\$ 707,724	\$ —	\$ 18,482,018	3.83%
June 30, 2019	\$ 1,127,858	\$ 1,127,858	\$ —	\$ 18,302,034	6.16%
June 30, 2018	\$ 1,118,657	\$ 1,118,657	\$ —	\$ 16,922,798	6.61%
June 30, 2017	\$ 698,800	\$ 698,800	\$ —	\$ 16,012,339	4.36%

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

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SIX FISCAL YEARS***

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2023	0.692835%	\$ 27,445,425	\$ 18,848,712	145.61%	5.08%
June 30, 2022	0.694004%	\$ 34,929,781	\$ 18,301,085	190.86%	3.74%
June 30, 2021	0.688501%	\$ 36,722,710	\$ 18,482,018	198.69%	2.91%
June 30, 2020	0.703228%	\$ 31,445,318	\$ 18,302,034	171.81%	3.13%
June 30, 2019	0.706134%	\$ 31,145,813	\$ 16,922,798	184.05%	1.69%
June 30, 2018	0.701720%	\$ 29,610,660	\$ 16,012,339	184.92%	0.19%

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

**GEORGIA SOUTHWESTERN 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, 2023**

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Trend rate schedule was updated to reflect anticipated future experience.
- Mortality improvement scale was updated from MP-2020 to MP-2021.
- Mortality base rates for future disabled participants were updated to reflect Pub-2010 for Teachers (headcount weighted) disabled mortality,
- The discount rate was updated from 2.18% as of June 30, 2021, to 3.54% as of June 30, 2022; and
- The Expected Return on Assets was changed from 4.37% to 4.36%.

Supplementary Information

GEORGIA SOUTHWESTERN STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2023

ASSETS

Cash and Cash Equivalents	\$	2,969,723.77
Investments		293,508.55
Accounts Receivable		
Federal Financial Assistance		934,301.64
Other		5,131,942.95
Prepaid Expenditures		15,391.86
Inventories		13,700.44
Other Assets		627,118.46
		<hr/>
Total Assets	\$	<u><u>9,985,687.67</u></u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	63,154.21
Encumbrance Payable		2,160,094.51
Accounts Payable		209,353.56
Unearned Revenue		2,272,688.41
Funds Held for Others		5,670.04
		<hr/>
Total Liabilities		<u>4,710,960.73</u>

Fund Balances

Reserved		
Department Sales and Services		161,089.90
Indirect Cost Recoveries		46,333.73
Technology Fees		320,807.78
Restricted/Sponsored Funds		4,100,283.83
Uncollectible Accounts Receivable		282,293.99
Inventories		13,700.44
Tuition Carry - Forward		326,988.25
Unreserved		
Surplus		23,229.02
		<hr/>
Total Fund Balances		<u>5,274,726.94</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u><u>9,985,687.67</u></u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**GEORGIA SOUTHWESTERN 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, 2023**

	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	\$ —	\$ 494,456.00	\$ 494,456.00	\$ —
Teaching				
State Appropriation				
State General Funds	\$ 18,548,132.00	\$ 20,249,350.00	\$ 20,249,350.00	\$ —
Federal Funds				
Federal Funds Not Specifically Identified	5,537,726.00	6,265,326.00	6,112,065.05	—
Federal Funds-COVID19				
Federal Funds Not Itemized-Covid19		2,563,065.00	2,366,593.78	—
Other Funds	16,021,118.00	21,978,309.00	20,440,454.56	1,160,969.01
Total Teaching	<u>40,106,976.00</u>	<u>51,056,050.00</u>	<u>49,168,463.39</u>	<u>1,160,969.01</u>
Total Operating Activity	<u>\$ 40,106,976.00</u>	<u>51,550,506.00</u>	<u>49,662,919.39</u>	<u>1,160,969.01</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA SOUTHWESTERN 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, 2023

	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	\$ —	\$ 494,456.00	\$ —	\$ 494,456.00	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	20,249,350.00	—	20,245,819.88	3,530.12	3,530.12
Federal Funds						
Federal Funds Not Specifically Identified	—	6,112,065.05	(153,260.95)	6,112,065.05	153,260.95	—
Federal Funds-COVID19						
Federal Funds Not Itemized- Covid19	—	2,366,593.78	(196,471.22)	2,366,593.78	196,471.22	—
Other Funds	—	21,601,423.57	(376,885.43)	16,584,534.61	5,393,774.39	5,016,888.96
Total Teaching	—	50,329,432.40	(726,617.60)	45,309,013.32	5,747,036.68	5,020,419.08
Total Operating Activity	\$ 0.00	\$ 50,823,888.40	\$ (726,617.60)	\$ 45,803,469.32	\$ 5,747,036.68	\$ 5,020,419.08

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.

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2022 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching					
State Appropriation					
State General Funds	6,154.80	—	(6,154.80)	—	18,895.56
Federal Funds					
Federal Funds Not Specifically Identified	—	—	—	—	—
Federal Funds-COVID19					
Federal Funds Not Itemized-Covid19	828,688.00	(828,688.00)	—	—	—
Other Funds	336,959.23	(332,281.01)	(4,678.22)	—	(60,582.13)
Total Teaching	<u>1,171,802.03</u>	<u>(1,160,969.01)</u>	<u>(10,833.02)</u>	<u>—</u>	<u>(41,686.57)</u>
Total Operating Activity	<u>1,171,802.03</u>	<u>(1,160,969.01)</u>	<u>(10,833.02)</u>	<u>—</u>	<u>(41,686.57)</u>
Prior Year Reserves					
Not Available for Expenditure					
Inventories	32,596.00				(18,895.56)
Uncollectible Accounts Receivable	221,711.86				60,582.13
Budget Unit Totals	<u>\$ 1,426,109.89</u>	<u>\$ (1,160,969.01)</u>	<u>\$ (10,833.02)</u>	<u>\$ —</u>	<u>\$ —</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**GEORGIA SOUTHWESTERN STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Early Return of Fiscal Year 2023 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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Teaching							
State Appropriation							
State General Funds	—	3,530.12	22,425.68	—	22,425.68	22,425.68	
Federal Funds							
Federal Funds Not Specifically Identified							
Federal Funds-COVID19							
Federal Funds Not Itemized-Covid19	—	—	—	—	—	—	
Other Funds	—	5,016,888.96	4,956,306.83	4,955,503.49	803.34	4,956,306.83	
Total Teaching	—	5,020,419.08	4,978,732.51	4,955,503.49	23,229.02	4,978,732.51	
Total Operating Activity	—	5,020,419.08	4,978,732.51	4,955,503.49	23,229.02	4,978,732.51	
Prior Year Reserves							
Not Available for Expenditure							
Inventories	—	—	13,700.44	13,700.44	—	13,700.44	
Uncollectible Accounts Receivable	—	—	282,293.99	282,293.99	—	282,293.99	
Budget Unit Totals	\$ —	\$ 5,020,419.08	\$ 5,274,726.94	\$ 5,251,497.92	\$ 23,229.02	\$ 5,274,726.94	
				Departmental Sales and Services	\$ 161,089.90	\$ —	\$ 161,089.90
				Indirect Cost Recovery	46,333.73	—	46,333.73
				Technology Fees	320,807.78	—	320,807.78
				Restricted/Sponsored Funds	4,100,283.83	—	4,100,283.83
				Tuition Carry-Forward	326,988.25	—	326,988.25
				Uncollectible Accounts Receivable	282,293.99	—	282,293.99
				Inventories	13,700.44	—	13,700.44
				Surplus	—	23,229.02	23,229.02
					\$ 5,251,497.92	\$ 23,229.02	\$ 5,274,726.94

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.

GEORGIA SOUTHWESTERN STATE UNIVERSITY

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