



**KENNESAW STATE**  
UNIVERSITY

**ANNUAL**  
**FINANCIAL**  
**REPORT**  
**2021**

Including Independent Auditor's Report

**KENNESAW STATE UNIVERSITY**  
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**For the Fiscal Year Ended June 30, 2021**

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# INTRODUCTION

KENNESAW STATE  
UNIVERSITY





## Message from the President

Kennesaw State University's momentum this past year continued at a tremendous pace, even as the university embraced appropriate protocols to guard the health and safety of our students, faculty, and staff during the pandemic. The Fiscal Year 2021 Annual Financial Report details some of this resilient strength, bolstered by increasing enrollment and intentional steps to operate within anticipated budgets. The quality of this and past reports is a testament to the diligent efforts of our fiscal services team as well as the university's dedication to excellence in financial reporting, controls and transparency. For fiscal year 2020 Kennesaw State has again earned the "Award of Distinction for Excellent Financial Reporting" by the Georgia Department of Audits and Accounts. This marks the fifth year in a row that KSU has received such recognition.

KSU's enrollment growth of nearly 9% to over 41,000 students in fall 2020 underscores the innovative work being done in key areas to provide an exceptional education and college experience. To meet increasing demand for courses, the University hired additional faculty, bringing in talented researchers in the process. Our student affairs staff, in conjunction with Athletics and the various colleges, orchestrated 1,000 extracurricular events in the fall and 2,000 in the spring, during a time of social distancing. Leadership on campus initiated a call campaign to touch base with each of our over 8,000 Freshmen, and our university took other steps to foster a strong, welcoming community.

Through the work of the Office of Research, faculty and others have had access to an increasing number of resources to develop their research. On top of this, new graduate programs were approved by the Board of Regents, including a Ph.D. in Interdisciplinary Engineering and a Master of Arts in Art and Design, which is the first graduate degree to be offered by our College of the Arts. Capitalizing on the increasing opportunities at the graduate level, Kennesaw State recently began offering Double Owl Pathways, which allow students to earn up to 9 hours of graduate credits during their time as undergraduates, saving them time and money.

Our campus community took steps to meet the needs of others during a challenging time, expanding our food pantries, increasing mental health services and resources, and serving in other ways. Our nursing students and faculty, for example, put their training to good use by assisting with Covid-19 vaccine distribution.

Those outside of the university also demonstrated their commitment to KSU and our students in major ways, including a \$9 million gift from Norman and Lindy Radow for our newly named Norman J. Radow College of Humanities and Social Sciences, a \$1 million gift from Michael and Donna Coles to support our veteran students through a scholarship, and a \$5 million gift from the Bobbie Bailey Foundation to benefit the now-named Dr. Bobbie Bailey School of Music.



The energy on campus has steadily returned as more and more have made their way back to working and studying in person. The passion of our faculty, staff and students continues to propel us, as Kennesaw State moves forward with innovation and purpose. I look forward to the coming academic year and the many opportunities we have to serve our campus and the greater community.

A handwritten signature in black ink that reads 'Kathy S. Schwaig'.

Kathy Schwaig  
Interim President



Letter of Transmittal

August 16, 2021

To: Dr. Kathy Schwaig, Interim President  
Kennesaw State University

The Annual Financial Report (AFR) for the Kennesaw State University includes the financial statements for the year ended June 30, 2021, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2021.

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

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

Sincerely,

Aaron Howell, CPA  
Vice President for Finance/Chief Financial Officer



A photograph of a woman with blonde hair, wearing a bright yellow coat over a patterned blouse and a black face mask with a yellow stripe. She is looking towards a man whose back is to the camera; he is wearing a red and yellow face mask. The background is a blurred outdoor setting with a white car and trees.

# FINANCIALS



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101  
Atlanta, Georgia 30334-8400

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

### Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Regents of the University System of Georgia  
and  
Dr. Kathy Schwaig, Interim President  
Kennesaw State University

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and fiduciary activities of the Kennesaw State University (University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### ***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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the financial statements of the discretely presented component unit in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An



audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and fiduciary activities of the University as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, discretely presented component unit, and fiduciary activities of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2021, the changes in its financial position or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 6 to the financial statements, in 2021, the University restated the prior period financial statements to correct a misstatement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***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 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section and accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin  
State Auditor

December 21, 2021



# KENNESAW STATE UNIVERSITY

## Management's Discussion and Analysis

### Introduction

Kennesaw State University (University) is one of the 26 institutions of higher education of the University System of Georgia (USG). The University, offering instruction on campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. This broad range of educational opportunities attracts a highly qualified faculty and a student body exceeding 41,000 students in the fall of fiscal year 2021, making it the second largest Institution in the USG. The Institution had an 8.9% increase in enrollment which exceeded the average for comprehensive universities in Georgia. Comparison numbers follow:

	STUDENT HEADCOUNT	STUDENT FTE
FY 2021	41,181	36,738
FY 2020	37,807	33,757
FY 2019	35,420	31,624

### Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2021. The emphasis of discussions about these statements will be on current year data. There are three business-type activities financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. There are two fiduciary financial statements presented: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in 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 2021 and fiscal year 2020.

### Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2021, and includes all assets and liabilities, both current and non-current. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and deferred outflows of resources and 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 is the net investment in capital assets. It 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.

The following table summarizes the Statement of Net Position:

<b>CONDENSED STATEMENT OF NET POSITION</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
<b>ASSETS</b>				
Current Assets	\$ 181,563,453	\$ 167,601,028	\$ 13,962,425	8.33 %
Capital Assets, Net	623,300,380	633,124,950	(9,824,570)	(1.55)%
Other Assets	8,319,361	7,762,016	557,345	7.18 %
<b>TOTAL ASSETS</b>	<b>813,183,194</b>	<b>808,487,994</b>	<b>4,695,200</b>	<b>0.58 %</b>
<b>DEFERRED OUTFLOWS</b>	<b>141,133,866</b>	<b>111,554,226</b>	<b>29,579,640</b>	<b>26.52 %</b>
<b>LIABILITIES</b>				
Current Liabilities	57,355,327	61,959,470	(4,604,143)	(7.43)%
Non Current Liabilities	802,429,438	743,283,169	59,146,269	7.96 %
<b>TOTAL LIABILITIES</b>	<b>859,784,765</b>	<b>805,242,639</b>	<b>54,542,126</b>	<b>6.77 %</b>
<b>DEFERRED INFLOWS</b>	<b>84,261,317</b>	<b>97,662,198</b>	<b>(13,400,881)</b>	<b>(13.72)%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	324,407,900	313,409,249	10,998,651	3.51 %
Restricted, Non-Expendable	5,505,687	4,977,272	528,415	10.62 %
Restricted, Expendable	1,773,642	2,433,417	(659,775)	(27.11)%
Unrestricted (Deficit)	(321,416,251)	(303,682,555)	(17,733,696)	(5.84)%
<b>TOTAL NET POSITION</b>	<b>\$ 10,270,978</b>	<b>\$ 17,137,383</b>	<b>\$ (6,866,405)</b>	<b>(40.07)%</b>

Total assets increased \$4,695,200 which was due to an increase in current assets of \$13,962,425, a decrease in net capital assets of \$9,824,570, and an increase in other assets of \$557,345. In current assets, cash and cash equivalents increased by \$16,373,854 primarily due to an increase in non-operating revenues, where a reduction in state appropriations was more than offset by funding for the Coronavirus Aid, Relief, and Economic Security Act including the Higher Education Emergency Relief Fund. In capital assets, net, depreciation exceeded new additions for the year.

Total deferred outflows of resources increased by \$29,579,640 which was due to an increase in other post-employment benefits (OPEB) of \$30,373,135. This increase was partially offset by a decrease in the University's share of deferred outflow on defined benefit pension plans of \$701,460 and a decrease in deferred outflow on debt refunding of \$92,035. Deferred outflow of resources for OPEB are increases to the OPEB liability that result from changes in assumptions for measuring the liability (e.g., retirees live longer), differences between expected and actual experience in a health care plan (e.g., claims), and differences in expected and actual investment income. Changes in liability due to these events are deferred and expensed in future years.

Total liabilities increased \$54,542,126 which was due to an increase in non-current liabilities of \$59,146,269 and a decrease in current liabilities of \$4,604,143. The increase in non-current liabilities was primarily due to an increase in the University's proportionate share of net pension liability and OPEB liability partially offset by a decrease in lease purchase obligations due to the annual payments, as well as the reduction of lease obligation for an office building. Pension and OPEB liabilities represent the benefits that current and former employees have earned and are expected to be paid after they retire. In June 2021, the lease for an office building was amended with a revised payment schedule. The revised payment schedule called for a payment of \$8,743,469 in June 2021 and no further payments throughout the term of the lease. As a result, the lease obligation related to the building was reduced to zero.

Total deferred inflows of resources decreased by \$13,400,881 which was due to a decrease in the University's proportionate share of deferred inflow on OPEB of \$7,720,216, a decrease in deferred inflows on service concession arrangements of \$3,488,112, a decrease in deferred inflow on defined benefit pension plans of \$2,074,624 and a decrease in deferred inflow on debt refunding of \$117,929. Deferred inflows for OPEB and pensions relate to changes in assumptions, experience and investment earnings, that affect the corresponding liability and are recognized as revenue in future periods.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of \$6,866,405. This change in net position is primarily due to a decrease in unrestricted net position, which resulted from increases in net pension and OPEB liabilities. These decreases were partially offset by an increase in net investment in capital assets in the amount of \$10,998,651.



Increases to net investment in capital assets resulted from a decrease in lease purchase obligation due to the annual payments, as well as the reduction of lease obligations for an office building.

### 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 operating and non-operating revenues received by the University, the operating and non-operating expenses paid by the University, 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.

The following table summarizes Revenues, Expenses and Changes in Net Position:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2021	June 30, 2020	Increase/ (Decrease)	% Change
Operating Revenue	\$ 310,062,053	\$ 311,288,236	\$ (1,226,183)	(0.39)%
Operating Expense	581,818,143	570,456,819	11,361,324	1.99 %
Operating Income/Loss	(271,756,090)	(259,168,583)	(12,587,507)	(4.86)%
Non-Operating Revenue and Expense	256,569,207	239,057,100	17,512,107	7.33 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(15,186,883)	(20,111,483)	4,924,600	24.49 %
Other Revenues, Expenses, Gains and Losses	8,320,478	8,218,661	101,817	1.24 %
Change in Net Position	(6,866,405)	(11,892,822)	5,026,417	42.26 %
Net Position at beginning of year	17,137,383	29,030,205	(11,892,822)	(40.97)%
Net Position at End of Year	\$ 10,270,978	\$ 17,137,383	\$ (6,866,405)	(40.07)%

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

### Revenues

Operating revenues decreased by \$1,226,183. Operating revenues were primarily impacted by the COVID-19 pandemic which resulted in a decrease in auxiliary revenues of \$1,737,009 and a decrease in sales and service of \$1,907,828. The decrease was partially offset by an increase in student tuition and fees of \$2,382,081 from enrollment growth.

Non-Operating revenue and expenses, which includes state appropriations, non-operating grants and contracts and interest expense, increased by \$17,512,107 primarily due to the receipt of \$41,959,961 in Higher Education Emergency Relief Funds and an increase in Pell Funds partially offset by a decrease of \$17,440,865 in state appropriations.

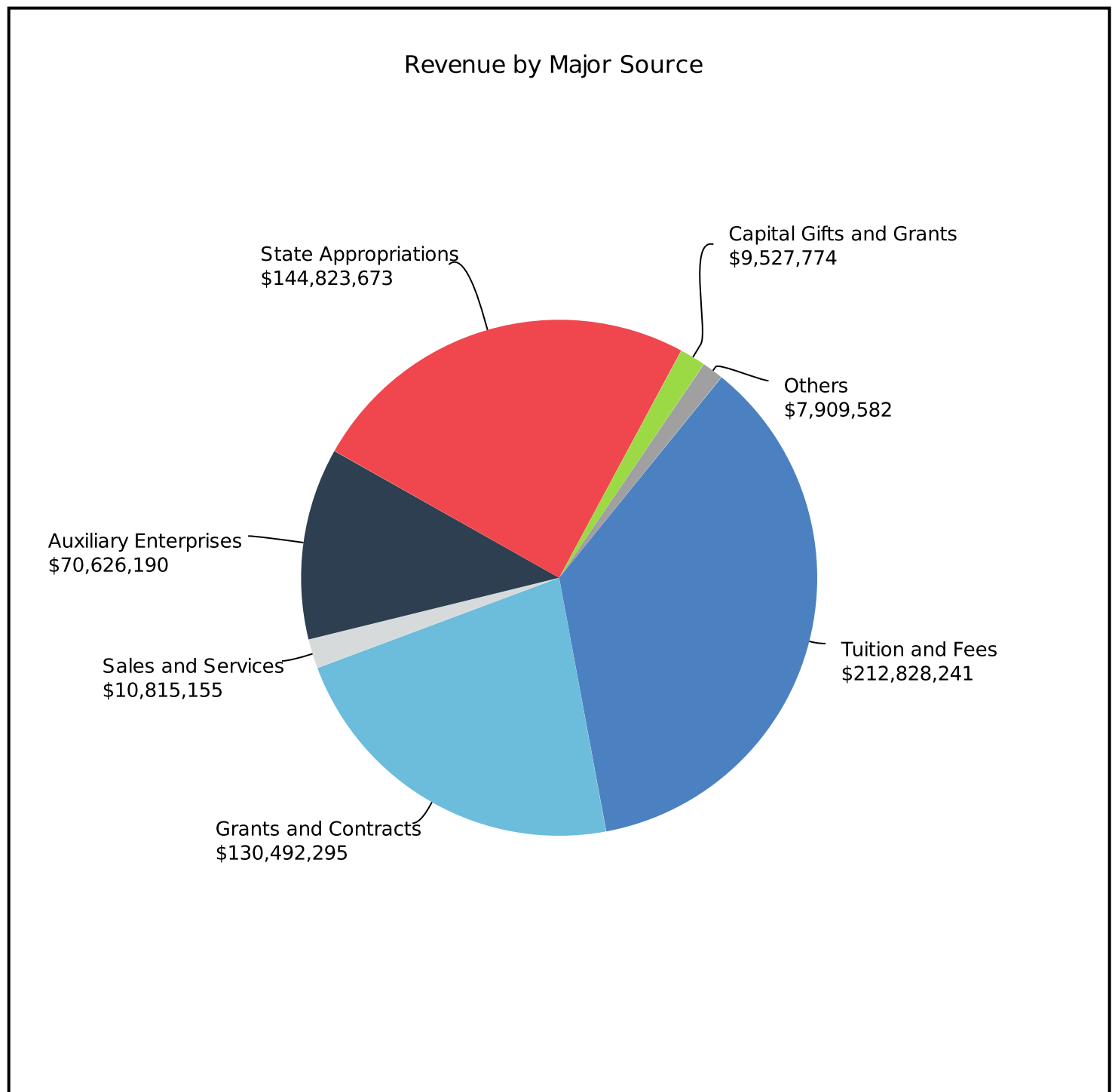
Other revenues, expenses, gains, losses and special items increased by \$101,817 primarily due to an increase in capital grants and gifts.

For the years ended June 30, 2021 and June 30, 2020, revenues by source were as follows:

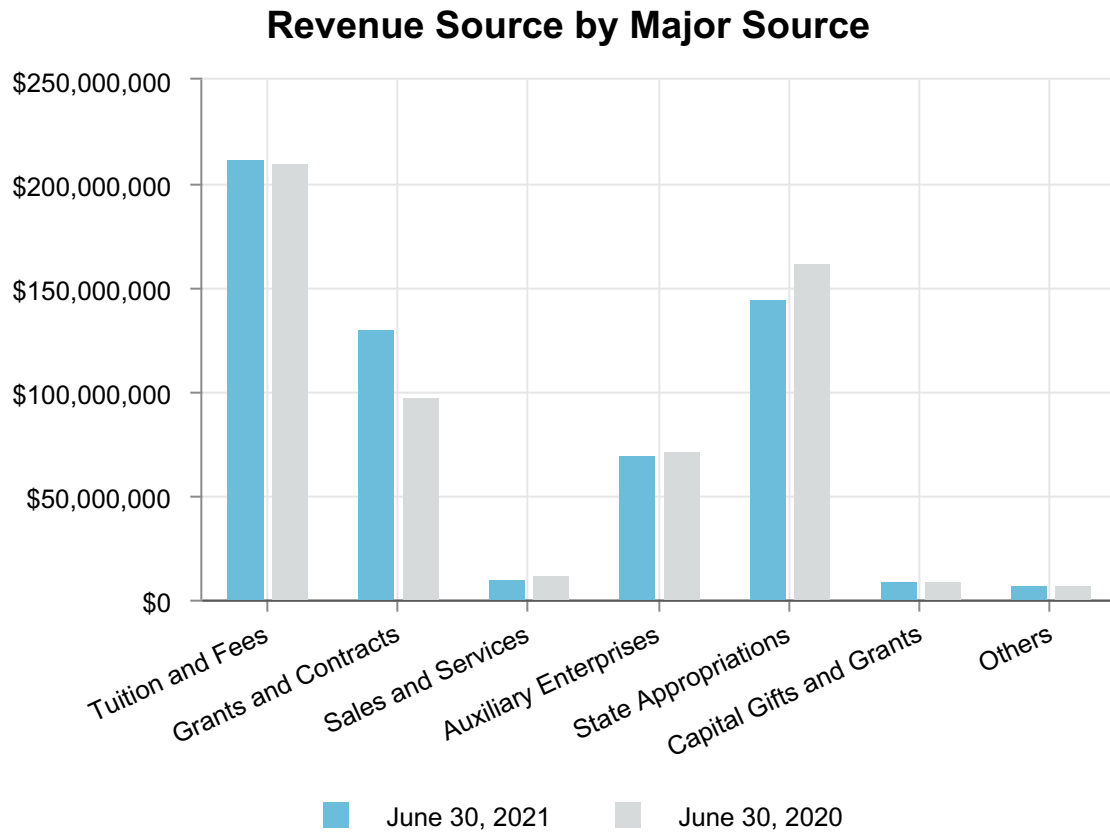
REVENUES BY SOURCE	June 30, 2021	June 30, 2020	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 212,828,241	210,446,160	\$ 2,382,081	1.13 %
Grants and Contracts	13,673,668	14,158,732	(485,064)	(3.43)%
Sales and Services	10,815,155	12,722,983	(1,907,828)	(15.00)%
Auxiliary Enterprises	70,626,190	72,363,199	(1,737,009)	(2.40)%
Other Operating Revenues	2,118,799	1,597,162	521,637	32.66 %
<b>Total Operating Revenues</b>	<b>310,062,053</b>	<b>311,288,236</b>	<b>(1,226,183)</b>	<b>(0.39)%</b>
State Appropriations	144,823,673	162,264,538	(17,440,865)	(10.75)%
Grants and Contracts	116,818,627	83,581,849	33,236,778	39.77 %
Gifts	5,391,997	5,750,005	(358,008)	(6.23)%
Investment Income	1,616,927	1,981,016	(364,089)	(18.38)%
Other Nonoperating Revenues	(10,845)	(866,281)	855,436	98.75 %
<b>Total Nonoperating Revenues</b>	<b>268,640,379</b>	<b>252,711,127</b>	<b>15,929,252</b>	<b>6.30 %</b>
State Capital Gifts and Grants	4,539,774	5,356,356	(816,582)	(15.25)%
Other Capital Gifts and Grants	4,988,000	3,930,945	1,057,055	26.89 %
<b>Total Capital Gifts and Grants</b>	<b>\$ 9,527,774</b>	<b>\$ 9,287,301</b>	<b>\$ 240,473</b>	<b>2.59 %</b>
Special Items	(1,207,296)	(1,068,640)	(138,656)	(12.97)%
<b>Total Revenues</b>	<b>\$ 587,022,910</b>	<b>\$ 572,218,024</b>	<b>\$ 14,804,886</b>	<b>2.59 %</b>



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



Revenue by major source for the years ended June 30, 2021, and June 30, 2020, is depicted by the following chart:



## Expenses

For the years ended June 30, 2021, and June 30, 2020, expenses by functional classification were as follows:

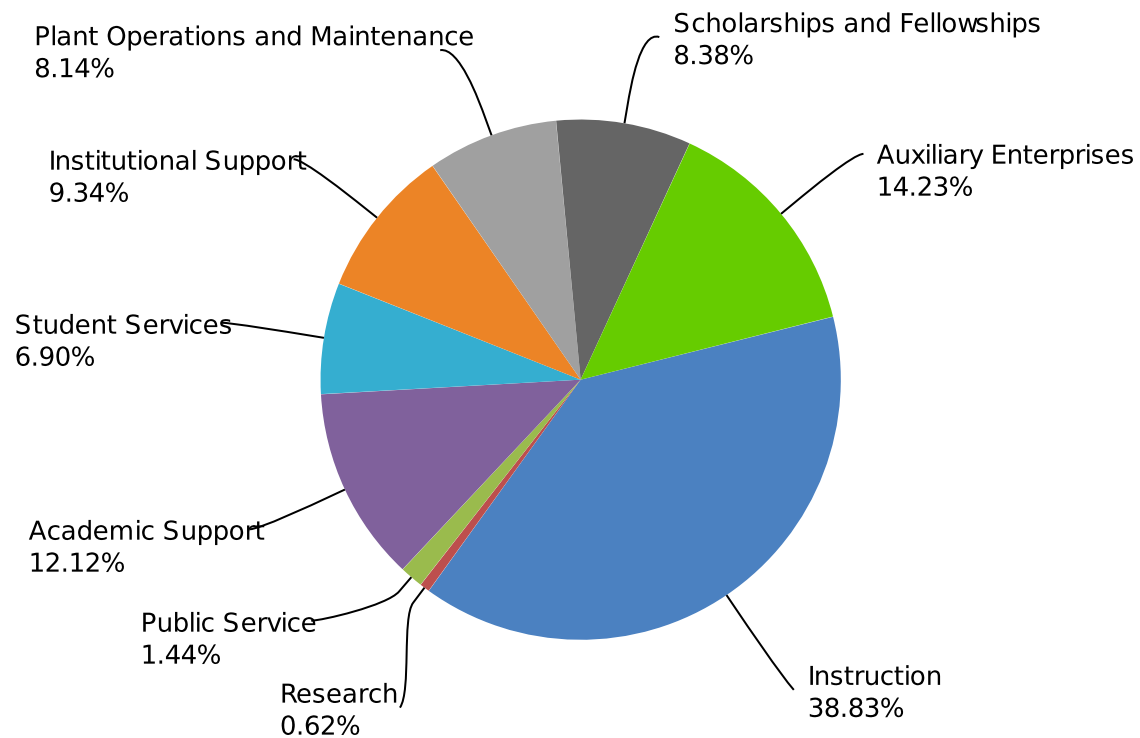
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2021	June 30, 2020	Increase/ (Decrease)	% Change
Instruction	\$ 225,926,616	\$ 213,017,061	\$ 12,909,555	6.06 %
Research	3,582,070	2,397,537	1,184,533	49.41 %
Public Service	8,387,750	11,493,281	(3,105,531)	(27.02)%
Academic Support	70,508,592	72,814,597	(2,306,005)	(3.17)%
Student Services	40,166,193	37,085,136	3,081,057	8.31 %
Institutional Support	54,372,972	73,829,759	(19,456,787)	(26.35)%
Plant Operations and Maintenance	47,336,651	49,062,329	(1,725,678)	(3.52)%
Scholarships and Fellowships	48,753,236	40,634,140	8,119,096	19.98 %
Auxiliary Enterprises	82,784,063	70,122,979	12,661,084	18.06 %
<b>Total Operating Expenses</b>	<b>581,818,143</b>	<b>570,456,819</b>	<b>11,361,324</b>	<b>1.99 %</b>
Interest Expense	12,071,172	13,654,027	(1,582,855)	(11.59)%
<b>Total Nonoperating Expenses</b>	<b>12,071,172</b>	<b>13,654,027</b>	<b>(1,582,855)</b>	<b>(11.59)%</b>
<b>Total Expenses</b>	<b>\$ 593,889,315</b>	<b>\$ 584,110,846</b>	<b>\$ 9,778,469</b>	<b>1.67 %</b>

Total operating expenses were \$581,818,143 in fiscal year 2021, an increase of \$11,361,324 when compared with fiscal year 2020. This increase is primarily attributable to an increase in instruction expense of \$12,909,555 related to salaries and benefits for additional faculty to meet the needs of enrollment growth, an increase in scholarships expense of \$8,119,096 and an increase in auxiliary expense of \$12,661,084. These increases were partially offset by a decrease in institutional support expense of \$19,456,787 and a decrease in plant operations and maintenance of \$1,725,678.

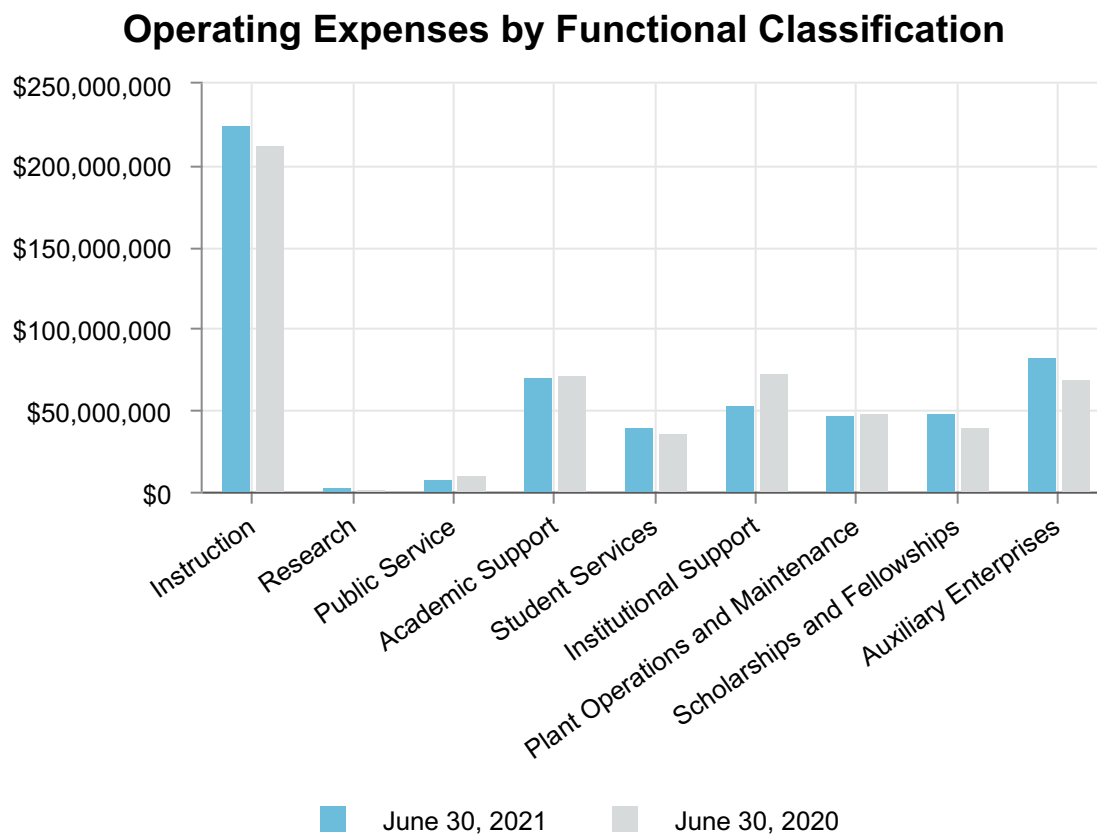


The following chart depicts the fiscal year 2021 operating expenses by functional classification.

## Operating Expenses by Functional Classification

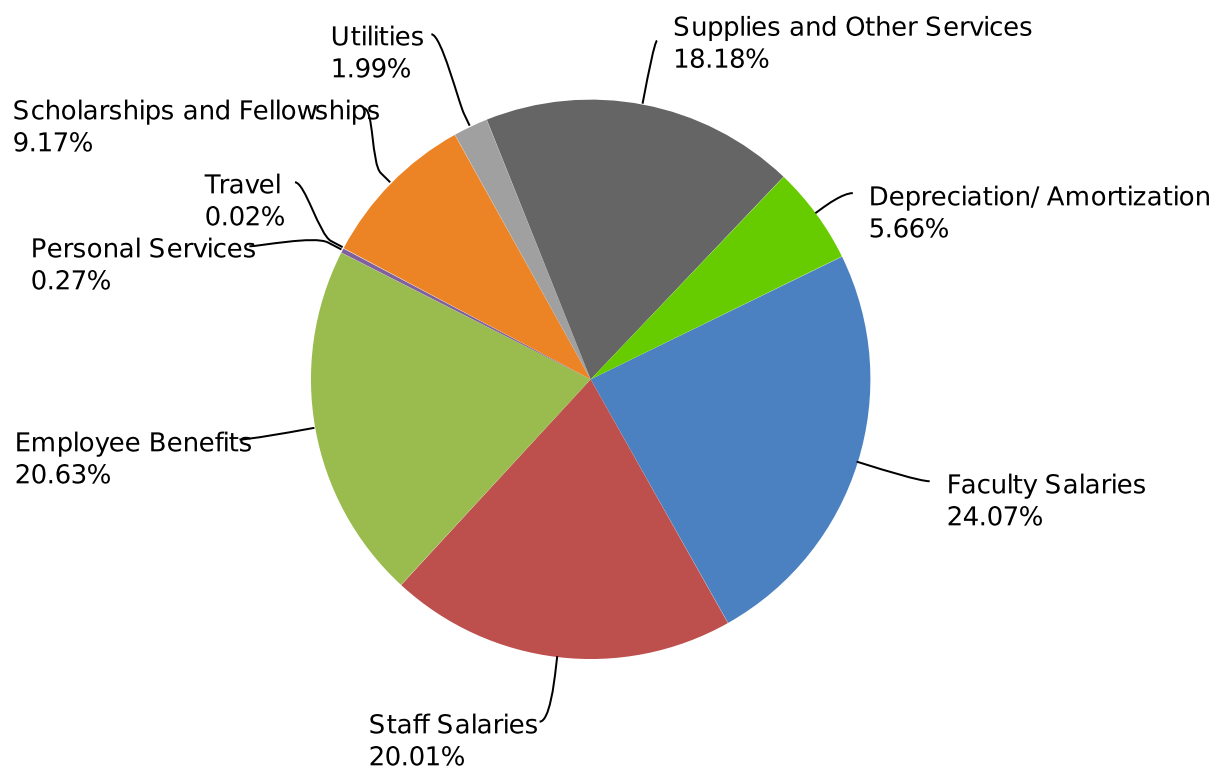


Operating expenses by functional classification for the years ended June 30, 2021, and June 30, 2020, is depicted by the following chart:



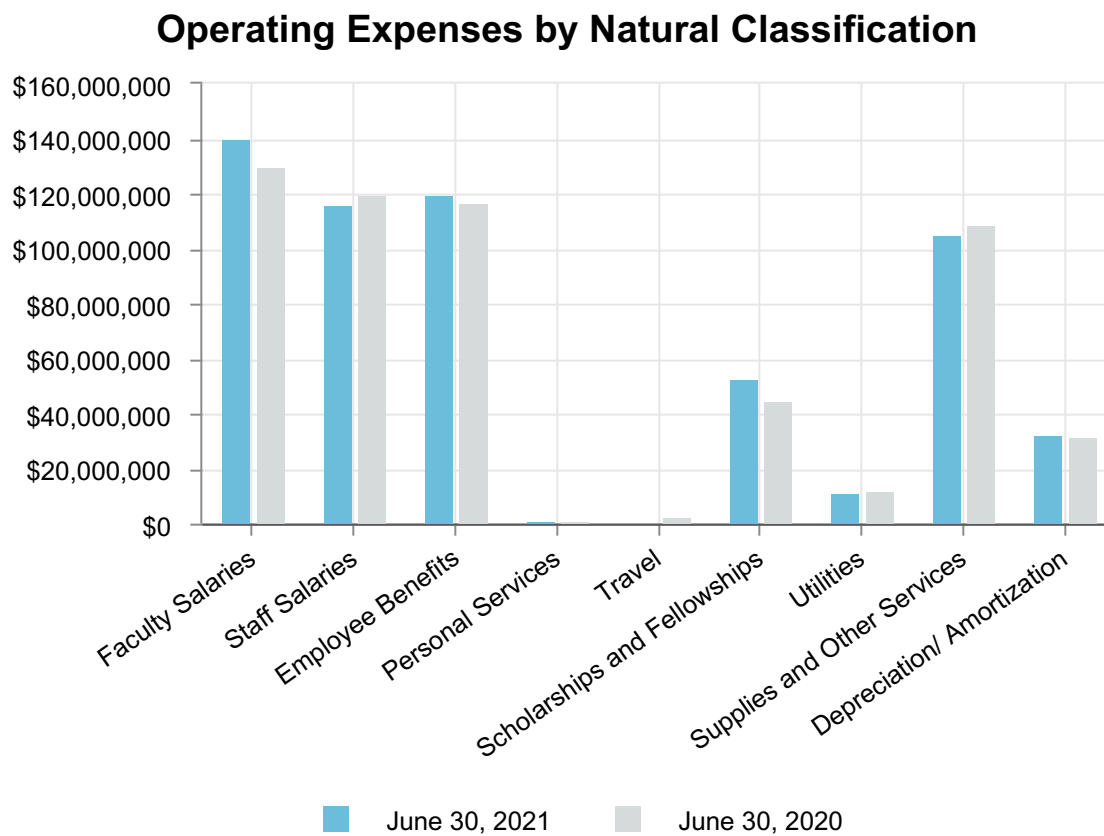
The following chart depicts the fiscal 2021 operating expenses by natural classification:

## Operating Expenses by Natural Classification





Operating expenses by natural classification for the years ended June 30, 2021, and June 30, 2020, is depicted by the following chart:



## Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2021 and 2020 were as follows:

<b>CONDENSED STATEMENT OF NET CASH FLOWS</b>			<b>June 30, 2021</b>	<b>June 30, 2020</b>
Cash Provided (Used) by:				
Operating Activities	\$	(205,751,464)	\$	(186,930,632)
Non-Capital Financing Activities		265,713,232		251,424,985
Capital and Related Financing Activities		(44,697,516)		(50,567,981)
Investing Activities		1,109,602		1,816,747
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>16,373,854</b>		<b>15,743,119</b>
Cash and Cash Equivalents, beginning of year		143,945,340		128,202,221
Cash and Cash Equivalents, end of year	\$	160,319,194	\$	143,945,340

## Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2021, and June 30, 2020, were as follows:

<b>CAPITAL ASSETS, net of accumulated depreciation</b>	<b>June 30, 2021</b>	<b>June 30, 2020 <sup>(1)</sup></b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Land	\$ 43,214,057	\$ 43,657,886	\$ (443,829)	(1.02)%
Capitalized Collections	4,908,687	4,846,515	62,172	1.28 %
Construction Work-in-Progress	17,082,697	16,215,906	866,791	5.35 %
Infrastructure	9,784,044	10,425,608	(641,564)	(6.15)%
Building and Building Improvements	511,224,441	523,209,502	(11,985,061)	(2.29)%
Facilities and Other Improvements	8,213,629	7,742,991	470,638	6.08 %
Equipment	23,638,697	21,541,212	2,097,485	9.74 %
Library Collections	1,052,360	1,228,549	(176,189)	(14.34)%
Capitalized Collections	4,181,768	4,256,781	(75,013)	(1.76)%
<b>Capital Assets, net of accumulated depreciation</b>	<b>\$ 623,300,380</b>	<b>\$ 633,124,950</b>	<b>\$ (9,824,570)</b>	<b>(1.55)%</b>

<sup>(1)</sup> The amounts reported for June 30, 2020 were not adjusted for the restatement of \$89,831 for capital assets, net, between land and buildings.

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

## Long-Term Liabilities

Kennesaw State University had long-term liabilities of \$254,996,753 excluding pension and OPEB liability; of which \$19,754,016 was reflected as current liability at June 30, 2021.

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 post-employment benefits, capital assets and a report of operating expenses by function.

**Economic Outlook**

Kennesaw 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 unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is strong. The University anticipates the current fiscal year will face somewhat better conditions than those experienced in fiscal year 2021 as the uncertainty caused by the COVID-19 pandemic dissipates. Enrollment is projected to remain steady with students returning in the fall. The University will maintain a close watch over resources to facilitate the University's ability to react to unknown internal and external issues.





# FINANCIAL STATEMENTS

**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Kennesaw State University	Component Unit
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 159,892,931	\$ 36,442,335
Cash and Cash Equivalents (Externally Restricted)	426,263	—
Short-term Investments		25,206,502
Accounts Receivable, net		
Federal Financial Assistance	3,973,661	—
Affiliated Organizations	1,982,145	—
Component Unit	752,906	—
Primary Government		535,078
Pledges and Contributions		4,089,706
Other	5,274,389	53,089
Investment in Capital Leases - Primary Government		8,846,296
Inventories	3,223,744	—
Prepaid Items	6,037,414	75,774
Total Current Assets	181,563,453	75,248,780
<b>Non-Current Assets</b>		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	1,956,554	—
Pledges and Contributions		12,380,047
Investments	345,121	12,122,265
Notes Receivable, net	543,287	—
Investment in Capital Leases - Primary Government		185,557,187
Other Assets		8,061,897
Non-current Cash (Externally Restricted)		89,715,201
Short-term Investments (Externally Restricted)		51,679,415
Investments (Externally Restricted)	5,474,399	11,344,263
Capital Assets, net	623,300,380	91,346,938
Total Non-Current Assets	631,619,741	462,207,213
<b>TOTAL ASSETS</b>	<b>813,183,194</b>	<b>537,455,993</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 141,133,866	\$ —

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

**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Kennesaw State University	Component Unit
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 11,363,176	\$ 10,810,401
Salaries Payable	1,193,932	—
Benefits Payable	782,687	—
Contracts Payable	1,482,768	—
Retainage Payable	567,126	—
Due to Affiliated Organizations	9,875	—
Due to Component Unit	311,622	—
Due to Primary Government		752,906
Advances (Including Tuition and Fees)	21,490,437	5,122,198
Deposits	58,039	19,992
Deposits Held for Other Organizations	207,635	98,182
Other Liabilities	134,014	—
Lease Purchase Obligations - External	1,633,771	—
Lease Purchase Obligations - Component Unit	8,846,296	—
Revenue Bonds and Notes Payable		13,815,000
Liabilities Under Split Interest Agreements		550
Compensated Absences	9,273,949	—
Total Current Liabilities	57,355,327	30,619,229
<b>Non-Current Liabilities</b>		
Other Liabilities		6,591,804
Lease Purchase Obligations - External	45,517,673	—
Lease Purchase Obligations - Component Unit	185,557,170	—
Revenue Bonds and Notes Payable		357,583,064
Liabilities Under Split Interest Agreements		1,165
Compensated Absences	4,167,894	—
Net Other Post-Employment Benefits Liability	331,480,838	—
Net Pension Liability	235,705,863	—
Total Non-Current Liabilities	802,429,438	364,176,033
<b>TOTAL LIABILITIES</b>	859,784,765	394,795,262
<b>DEFERRED INFLOWS OF RESOURCES</b>	84,261,317	—
<b>NET POSITION</b>		
Net Investment in Capital Assets	324,407,900	(16,664,094)
Restricted for:		
Nonexpendable	5,505,687	79,771,889
Expendable	1,773,642	48,196,377
Unrestricted (Deficit)	(321,416,251)	31,356,559
<b>TOTAL NET POSITION</b>	\$ 10,270,978	\$ 142,660,731

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



**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

	Kennesaw State University	Component Unit
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (net)	\$ 212,828,241	\$ —
Grants and Contracts		
Federal	2,575,048	—
State	903,992	—
Other	10,194,628	—
Sales and Services	10,815,155	428,187
Rents and Royalties	701,177	38,677,081
Auxiliary Enterprises		
Residence Halls	14,733,262	—
Bookstore	11,184,388	—
Food Services	15,338,776	—
Parking	8,258,822	—
Health Services	2,831,056	—
Intercollegiate Athletics	12,937,916	—
Other Organizations	5,341,970	—
Gifts and Contributions		17,202,588
Endowment Income		1,294,643
Other Operating Revenues	1,417,622	—
Total Operating Revenues	310,062,053	57,602,499
<b>OPERATING EXPENSES</b>		
Faculty Salaries	140,051,999	—
Staff Salaries	116,435,683	3,677,188
Employee Benefits	119,944,646	—
Other Personal Services	1,593,203	37,068
Travel	128,447	13,432
Scholarships and Fellowships	53,341,387	3,397,600
Utilities	11,596,893	2,355,767
Supplies and Other Services	105,787,824	10,731,470
Depreciation	32,938,061	5,429,140
Total Operating Expenses	581,818,143	25,641,665
Operating Income (Loss)	\$ (271,756,090)	\$ 31,960,834

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

**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

	Kennesaw State University	Component Unit
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	\$ 144,823,673	\$ —
Grants and Contracts		
Federal	112,776,178	—
State	23,573	—
Other	4,018,876	—
Gifts	5,391,997	—
Investment Income	1,616,927	15,957,106
Interest Expense	(12,071,172)	(12,172,849)
Other Nonoperating Revenues (Expenses)	(10,845)	(1,300,408)
	<hr/>	<hr/>
Net Nonoperating Revenues (Expenses)	256,569,207	2,483,849
	<hr/>	<hr/>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(15,186,883)	34,444,683
	<hr/>	<hr/>
Capital Grants and Gifts		
State	4,539,774	—
Other	4,988,000	—
Additions to Permanent and Term Endowments	—	15,764,439
Special Item	(1,207,296)	(2,624,437)
	<hr/>	<hr/>
Total Other Revenues, Expenses, Gains or Losses	8,320,478	13,140,002
	<hr/>	<hr/>
Change in Net Position	(6,866,405)	47,584,685
	<hr/>	<hr/>
Net Position, Beginning of Year, As Originally Reported	17,137,383	95,076,046
	<hr/>	<hr/>
Net Position, End of Year	<u>\$ 10,270,978</u>	<u>\$ 142,660,731</u>

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

# KENNESAW STATE UNIVERSITY

## STATEMENT OF CASH FLOWS

### FOR FISCAL YEAR ENDED JUNE 30, 2021

	Kennesaw State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 301,825,559
Grants and Contracts (Exchange)	5,713,612
Payments to Suppliers	(203,340,720)
Payments to Employees	(256,553,204)
Payments for Scholarships and Fellowships	(53,341,387)
Loans Issued to Students	(97,161)
Collection of Loans from Students	5,093
Other Receipts	36,744
Net Cash Used by Operating Activities	(205,751,464)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	144,823,673
Gifts and Grants Received for Other Than Capital Purposes	122,572,971
Other Non-Capital Financing Payments	(1,683,412)
Net Cash Flows Provided by Non-Capital Financing Activities	265,713,232
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	4,364,476
Proceeds from Sale of Capital Assets	962,014
Purchases of Capital Assets	(19,437,812)
Principal Paid on Capital Debt and Leases	(18,489,128)
Interest Paid on Capital Debt and Leases	(12,097,066)
Net Cash Used by Capital and Related Financing Activities	(44,697,516)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	555,373
Investment Income	554,229
Net Cash Provided by Investing Activities	1,109,602
Net Increase in Cash and Cash Equivalents	16,373,854
Cash and Cash Equivalents, Beginning of Year	143,945,340
Cash and Cash Equivalents, End of Year	\$ 160,319,194

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

# KENNESAW STATE UNIVERSITY

## STATEMENT OF CASH FLOWS

### FOR FISCAL YEAR ENDED JUNE 30, 2021

	Kennesaw State University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (271,756,090)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	32,938,061
Operating Expenses Related to Noncash Gifts	160,082
Change in Assets and Liabilities:	
Receivables, net	633,796
Inventories	890,150
Prepaid Items	(880,821)
Notes Receivable, Net	(92,068)
Accounts Payable	(1,212,829)
Salaries Payable	(354,183)
Benefits Payable	(36,194)
Contracts Payable	33,045
Retainage Payable	(34,338)
Deposits	328
Advances (Including Tuition and Fees)	(2,829,977)
Other Liabilities	(149,744)
Funds Held for Others	36,744
Compensated Absences	546,309
Due to Affiliated Organizations	(523,670)
Net Pension Liability	22,021,266
Net Other Post-Employment Benefit Liability	54,325,184
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	(9,794,840)
Deferred Outflows of Resources	(29,671,675)
Net Cash Used by Operating Activities	<u>\$ (205,751,464)</u>

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

##### Noncapital Financing Activities Noncash Items:

Noncapital Gifts	\$ 160,082
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	\$ 4,679,831
Current Year Accruals Related to Capital Financing Activities	\$ 251,669
Gift of Capital Assets	\$ 2,108,650
Gain (Loss) on Disposal of Capital Assets	\$ (454,852)
Accrual of Capital Asset Related Payables	\$ 1,933,769
Capital Assets Acquired Through Prepaid Capital	\$ 841,654
Amortization of Capital Financing Activities Advances and Deferred Inflows	\$ 3,488,112
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	\$ 25,894
Unrealized Gain (Loss) on Investments	\$ 1,062,698

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



**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2021**

	<u>Custodial Funds</u>
ASSETS	
Receivables	
Other	\$ 9,121,155
Total Assets	<u>9,121,155</u>
LIABILITIES	
Cash Overdraft	8,223,764
Due to Component Units	223,456
Advances	636,480
Total Liabilities	<u>9,083,700</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u>\$ 37,455</u>

**KENNESAW STATE UNIVERSITY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Custodial Funds</u>
ADDITIONS	
Federal Financial Aid	\$ 141,185,378
State Financial Aid	86,157,514
Other Financial Aid	11,054,162
Clubs and Other Organizations Fund Raising	4,078,179
Public-Private Partnership Passthrough	<u>21,537,096</u>
Total Additions	<u>264,012,329</u>
DEDUCTIONS	
Scholarships and Other Student Support	238,397,054
Student Organizations Support	4,065,655
Public-Private Partnership Passthrough	<u>21,537,096</u>
Total Deductions	<u>263,999,805</u>
Net Increase in Fiduciary Net Position	<u>12,524</u>
Net Position, Beginning of Year	<u>24,931</u>
Net Position, End of Year	<u><u>\$ 37,455</u></u>



# NOTES TO THE FINANCIAL STATEMENTS

# KENNESAW STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2021

#### Note 1 Summary of Significant Accounting Policies

##### Nature of Operations

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

##### Reporting Entity

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

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

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, a discretely presented component unit of the State, as discussed below, has been included since it has 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, 2021, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

##### Discretely Presented Component Unit

The below organization is a legally separate, tax-exempt component unit of the State. Although the State (primary government) is not fiscally accountable for this entity, it has been determined that the nature and significance of the relationship between the primary government and the below organization is such that exclusion from these departmental financial statements would render them misleading. The below organization met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. The below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following address.

- Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144.

See Component Unit Note 20 for additional information related to the discretely presented component unit.

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

## **New Accounting Pronouncements**

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* effective for fiscal years beginning after December 15, 2018. In fiscal year 2020, the University adopted GASB Statement No.95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which postponed the effective date of Statement No. 90 to fiscal year 2021. This statement addresses owning or acquiring a majority of the equity interest in a legally separate organization. The adoption of this statement does not have a significant impact on the University's financial statements.

## **Cash and Cash Equivalents**

Cash and cash equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the 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.

## **Investments**

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund and the Board of Regents Total Return Fund are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

## **Accounts Receivable**

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

## **Inventories**

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, 2021, 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.

**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 of \$1,956,554 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.

**Advances**

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

**Deposits**

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

**Deposits Held for Other Organizations**

Deposits held for other organizations result primarily from escheated funds that are the result of unclaimed property.

**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 and (2) capital lease obligations with contractual maturities greater than one year.

**Deferred Inflows of Resources**

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

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

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

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

**Pensions and Net Pension Liability**

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

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

**Service Concession Arrangements**

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

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

**Net Position**

The University's net position is classified as follows:

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

*Restricted - nonexpendable net position* includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is

periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

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

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

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

### **Income Taxes**

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

### **Classification of Revenues and Expenses**

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

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

### **Scholarship Allowances**

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition and fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$64,368,279.

### **Special Items**

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items.

In August 2020, the University sold certain property resulting in a gain of \$509,480, which is reflected as a special item.

In December 2020, the University entered into a memorandum of understanding with KSUF to transfer assets and full responsibility for the stewardship and administration of certain endowed scholarships. The amount of the assets transferred was \$410,557.

In June 2021, the lease for an office building was amended with a revised payment schedule. The revised payment schedule called for a payment of \$8,743,469 in June 2021 and no further payments throughout the lease expiring in 2030. As a result, the lease obligation related to the building was reduced to zero and a loss of \$1,306,219 was recognized.

## Note 2 Deposits and Investments

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

### Statement of Net Position

#### Current

Cash and Cash Equivalents	\$	159,892,931
Cash and Cash Equivalents (Externally Restricted)		426,263

#### Noncurrent

Investments		345,121
Investments (Externally Restricted)		5,474,399

### Statement of Fiduciary Net Position

Cash and Cash Equivalents		(8,223,764)
	\$	<u>157,914,950</u>

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

Cash on Hand	\$	65,100
Deposits with Financial Institutions		68,969,566
Investments		88,880,284
	\$	<u>157,914,950</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 up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

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

At June 30, 2021, the bank balances of the University's deposits totaled \$71,243,006. Of these deposits, \$0 were exposed to custodial credit risk. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the University.

## **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. All investments conform to and 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.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.



The following table summarizes the valuation of the University's investments measured at fair value as of June 30, 2021.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Equity Mutual Funds - Domestic	\$ —	\$ —
Real Estate Investment Trusts	9,474	9,474
Other	31,528	31,528
	345,121	\$ 345,121
Investment Pools		
Board of Regents		
Short-Term Fund	83,060,764	
Legal Fund	221,216	
Balanced Income Fund	1,207,555	
Total Return Fund	4,045,628	
Total Investments	\$ 88,880,284	

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

#### 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 Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of  $\frac{3}{4}$  - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2021 was \$83,060,764, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.89 years.

#### 2. **Legal Fund**

The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the 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 three and five years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial

risk. The market value of the University's position in the Legal Fund at June 30, 2021, was \$221,216, of which 100% is invested in debt securities. The Effective Duration of the Fund is 3.26 years.

### **3. Balanced Income Fund**

The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2021, was \$1,207,555, of which 65% is invested in debt securities. The Effective Duration of the Fund is 7.13 years.

### **4. Total Return Fund**

The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value of the University's position in the Total Return Fund at June 30, 2021, was \$4,045,628, of which 28% is invested in debt securities. The Effective Duration of the Fund is 6.23 years.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk for investments.

#### 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, 2021, \$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 and Legal 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. In the Balanced Income Fund and Total Return Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

#### 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 concentration of credit for investments and has no exposure to concentration of credit risk at June 30, 2021.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Exposure to foreign currency credit risk is limited to funds maintained in foreign accounts for the Study Abroad Program. The University does not have a formal policy for managing foreign currency risk and does not have any exposure to foreign currency risk at June 30, 2021.

### **Note 3 Accounts Receivable**

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

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 7,174,613	
Auxiliary Enterprises and Other Operating Activities	3,221,468	
Federal Financial Assistance	3,973,661	1,051,702
Georgia Student Finance Commission		7,595,127
Georgia State Financing and Investment Commission	501,547	
Due from Affiliated Organizations	1,982,146	
Due from Component Unit	752,905	
Due From Other USG Institutions	1,973,354	
Other	948,402	474,326
	20,528,096	9,121,155
Less: Allowance for Doubtful Accounts	6,588,441	
Net Accounts Receivable	<u>\$ 13,939,655</u>	<u>\$ 9,121,155</u>

### **Note 4 Inventories**

Inventories consisted of merchandise for resale of \$3,223,744 at June 30, 2021.

### **Note 5 Notes and Loans Receivable**

Notes receivable consists of resources made available for financial loans to students of the University. The Federal Perkins Loan Program (Perkins) and the Nurse Faculty Loan Program (NFLP) comprise the majority of the loans receivable at June 30, 2021. Perkins provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. NFLP offer loans to students enrolled in advanced education nursing degree programs who are committed to become nurse faculty. In exchange for full-time post-graduation employment as nurse faculty, the program authorizes cancellation of up to 85% of any such loan (plus interest thereon). 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, 2021, the allowance for uncollectible loans was \$0.

## Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2021, are shown below:

	Restated Balance <sup>(1)</sup> July 1, 2020	Special Item and Other Transfers	Additions	Reductions	Balance June 30, 2021
Capital Assets, Not Being Depreciated:					
Land	\$ 43,568,505	\$ (354,448)			\$ 43,214,057
Capitalized Collections	4,846,515		62,172		4,908,687
Construction Work-in-Progress	16,215,906		15,592,709	14,725,918	17,082,697
Total Capital Assets Not Being Depreciated	64,630,926	(354,448)	15,654,881	14,725,918	65,205,441
Capital Assets, Being Depreciated/Amortized:					
Infrastructure	17,341,734				17,341,734
Building and Building Improvements	854,137,124	(94,220)	12,590,067		866,632,971
Facilities and Other Improvements	13,001,435		1,143,440		14,144,875
Equipment	66,188,720		8,699,562	2,629,862	72,258,420
Library Collections	27,992,223		105,256	1,223,406	26,874,073
Capitalized Collections	6,109,082		73,883		6,182,965
Total Capital Assets Being Depreciated/Amortized	984,770,318	(94,220)	22,612,208	3,853,268	1,003,435,038
Less: Accumulated Depreciation/Amortization					
Infrastructure	6,916,126		641,564		7,557,690
Building and Building Improvements	330,838,241	(19,786)	24,590,075		355,408,530
Facilities and Other Improvements	5,258,444		672,802		5,931,246
Equipment	44,647,508		6,603,279	2,631,064	48,619,723
Library Collections	26,763,674		281,445	1,223,406	25,821,713
Capitalized Collections	1,852,301		148,896		2,001,197
Total Accumulated Depreciation/Amortization	416,276,294	(19,786)	32,938,061	3,854,470	445,340,099
Total Capital Assets, Being Depreciated/Amortized, Net	568,494,024	(74,434)	(10,325,853)	(1,202)	558,094,939
Capital Assets, net	\$ 633,124,950	\$ (428,882)	\$ 5,329,028	\$ 14,724,716	\$ 623,300,380

<sup>(1)</sup> The June 30, 2020 amounts reflect a \$0 effect of the restatement of \$89,831 for capital assets, net, between land and buildings.

In August 2020, the University sold certain property resulting in a gain of \$509,480 which is reflected as a special item.

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2021, no capital additions were transferred to the University. In addition, at June 30, 2021, GSFIC had construction in progress of approximately \$29,352,884 for incomplete GSFIC managed projects for the University.

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

Fiscal Year	Depreciation Expense
2021	\$ 32,938,061
2020	\$ 31,690,345
2019	\$ 32,299,173

## Note 7 Advances (Including Tuition and Fees)

Business-type activities advances, including tuition and fees, consisted of the following at June 30, 2021:

	<u>Current Liabilities</u>
Prepaid Tuition and Fees	\$ 17,994,940
Grants and Contracts	428,059
Other - Advances	<u>3,067,438</u>
Totals	<u><u>\$ 21,490,437</u></u>

Fiduciary fund advances in the amount of \$636,480 consists of student support received prior to eligibility requirements being met.

## Note 8 Long-Term Liabilities

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Leases					
Lease Purchase Obligations	\$ 260,044,038	\$ —	\$ 18,489,128	\$ 241,554,910	\$ 10,480,067
Other Liabilities					
Compensated Absences	<u>12,895,534</u>	<u>9,265,694</u>	<u>8,719,385</u>	<u>13,441,843</u>	<u>9,273,949</u>
Total Long-Term Obligations	<u><u>\$ 272,939,572</u></u>	<u><u>\$ 9,265,694</u></u>	<u><u>\$ 27,208,513</u></u>	<u><u>\$ 254,996,753</u></u>	<u><u>\$ 19,754,016</u></u>

Reduction in Lease Purchase Obligations resulted from current year payments as well as the reduction of a lease obligation for an office building. In June 2021, the lease for an office building was amended with a revised payment schedule. The revised payment schedule called for a payment of \$8,743,469 in June 2021 and no further payments throughout the lease expiring in 2030. As a result, the lease obligation related to the building was reduced to zero.

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.

## 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, 2021, consisted of the following:

### Deferred Outflows of Resources

Deferred Outflow on Debt Refunding	\$ 681,485
Deferred Outflow on Defined Benefit Pension Plans (See Note 14)	72,514,574
Deferred Outflow on OPEB Plan (See Note 17)	67,937,807
<b>Total Deferred Outflows of Resources</b>	<b>\$ 141,133,866</b>

### Deferred Inflows of Resources

Deferred Inflow on Debt Refunding	\$ 2,122,734
Deferred Service Concession Arrangements	53,962,709
Deferred Inflow on Defined Benefit Pension Plans (See Note 14)	3,106,396
Deferred Inflow on OPEB Plan (See Note 17)	25,069,478
<b>Total Deferred Inflows of Resources</b>	<b>\$ 84,261,317</b>

### Deferred Outflow/Inflow on Debt Refunding

The unamortized deferred outflow on debt refunding at year end, related to refunding debt on two residence halls and a parking deck, is \$681,485. The unamortized deferred inflow on debt refunding of \$2,122,734 relates to refunding debt on housing and dining facilities.

### Service Concessions Arrangements

At June 30, 2021, Kennesaw State University (KSU) was a participant in four Service Concession Arrangements.

In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in August 2037.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in July 2036.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in September 2038.

In August 2020, the University entered into an agreement with KSUF to simplify the student experience for KSUF-owned housing (University Place, University Village, and University Suites). Under this agreement, KSU is responsible for providing property management services on behalf of KSUF in a fiduciary capacity for billing and the collection of housing charges.

In July 2017, KSU entered into a lease agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront, but will take full ownership of the equipment and lease improvements at the end of the operating agreement in June 2027.



At June 30, 2021, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$53,962,709. For fiscal year 2021, the University reported a remaining deferred inflows of resources of \$53,962,709 and amortized revenue of \$3,488,112.

## Note 10 Net Position

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

Net Investment in Capital Assets	\$ 324,407,900
Restricted for	
Nonexpendable	
Permanent Endowment	5,505,687
Expendable	
Sponsored and Other Organized Activities	834,300
Federal Loans	830,973
Institutional Loans	108,369
Sub-Total	1,773,642
Unrestricted	
Auxiliary Enterprises Operations	46,626,409
Reserve for Encumbrances	51,172,583
Capital Liability Reserve Fund	1,956,554
Other Unrestricted (Deficit)	(421,171,797)
Sub-Total	(321,416,251)
Total Net Position	\$ 10,270,978

Other unrestricted net position is reduced by \$288,612,509 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 \$166,297,685 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 and student tuition and fees and 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, 2021 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Net Investments in Capital Assets	\$ 313,409,249	\$ 44,270,140	\$ 33,271,489	\$ 324,407,900
Restricted Net Position	7,410,689	140,020,069	140,151,429	7,279,329
Unrestricted Net Position	(303,682,555)	447,013,686	464,747,382	(321,416,251)
Total Net Position	\$ 17,137,383	\$ 631,303,895	\$ 638,170,300	\$ 10,270,978

## 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.

For endowment funds where the donor has not provided specific instructions, 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.

In December 2020, the University entered into a memorandum of understanding with KSUF to transfer assets and full responsibility for the stewardship and administration of certain endowed scholarships. The amount of the assets transferred was \$410,557.

## Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2021. The University did not have any other significant unearned outstanding construction or renovation contracts in excess of these encumbrances at June 30, 2021.

## Note 13 Leases

### Lease Obligations

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

#### Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to capital leases for fiscal year 2021 were \$18,489,128 and \$12,071,172, respectively. Interest rates range from 3.1% to 12.7%.

The University has \$194,403,466 in outstanding lease obligations due to component units. The Institution has \$47,151,444 in outstanding lease obligations due to affiliated organizations and other related party organizations.

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

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2021	Outstanding Balance per Lease Schedules at June 30, 2021
	( + )	( - )	( = )	
Leased Land and Land Improvements	\$ 23,047,984		\$ 23,047,984	\$ 16,618,542
Leased Buildings and Building Improvements	311,960,577	134,948,802	177,011,775	224,936,368
Total Assets Held Under Capital Lease	<u>\$ 335,008,561</u>	<u>\$ 134,948,802</u>	<u>\$ 200,059,759</u>	<u>\$ 241,554,910</u>

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

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
Frey Lake Road Houses	KSU Foundation	\$ 2,907,645	12 years	October 2015	June 2027	\$ 1,621,474
East & West Parking Decks	KSU Foundation	12,658,233	11 years	October 2015	Jun, 2026	6,337,266
Building Complex	KSU Foundation	1,747,658	19 years	June 2017	June 2036	1,332,806
Building Complex	KSU Foundation	4,054,414	19 years	June 2017	June 2036	3,632,546
North Parking Deck	KSU Foundation	10,435,200	14 years	October 2015	June 2029	6,295,743
Office Building	KSU Foundation	10,048,029	15 years	October 2015	June 2030	—
Classroom Building	KSU Foundation	953,858	24 years	November 2006	August 2030	529,618
Central Parking Deck	KSU Foundation	28,528,584	21 years	February 2017	June 2038	24,637,627
Clinic	KSU Foundation	685,000	26 years	July 2010	June 2036	499,138
Dining Hall Facility	KSU Foundation	17,012,109	22 years	February 2017	June 2039	15,240,983
Sports Complex	KSU Foundation	61,884,585	24 years	September 2020	June 2044	56,954,419
Student Housing	KSU Foundation	26,768,863	29 years	August 2012	June 2041	24,304,312
Student Recreation Center	KSU Foundation	43,053,851	28 years	July 2014	June 2042	38,203,662
Commons Housing	KSU Foundation	8,742,600	14 years	June 2013	June 2027	4,440,780
Courtyard Housing	KSU Foundation	18,387,400	16 years	June 2013	June 2029	10,373,092
Parking Deck	USG Real Estate Foundation	17,323,738	25 years	June 2015	June 2040	15,388,360
Housing / Dining	USG Real Estate Foundation	34,019,686	20 years	March 2019	June 2039	31,763,084
Total Leases		<u>\$ 299,211,453</u>				<u>\$ 241,554,910</u>

All of the above capital leases are with a related party.

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

In September 2020, Kennesaw State University Foundation, Inc. (KSUF) refinanced the bonds associated with the Sports Complex and the lease was amended. The lease term was extended to June 2044 and the underlying interest rate changed from 5.128% to 4.847%.

In June 2021, the lease for an office building was amended with a revised payment schedule. The revised payment schedule called for a payment of \$8,743,469 in June 2021 and no further payments throughout the lease expiring in 2030. As a result, the lease obligation related to the building was reduced to zero.

#### Operating Leases

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e., lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal year 2021 was \$1,178,426, which includes payments to related parties of \$359,430. The University is obligated to pay related parties a total of \$209,430 in the next fiscal year.

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

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2022	\$ 28,267,998	\$ 326,095
2023	25,024,216	112,459
2024	25,078,623	27,516
2025	25,152,373	20,153
2026	25,220,038	20,556
2027 through 2031	106,998,883	
2032 through 2036	98,908,428	
2037 through 2041	76,534,919	
2042 through 2046	16,498,427	
Total Minimum Lease Payments	427,683,905	<u>\$ 506,779</u>
Less: Interest	133,912,628	
Less: Executory Costs	52,216,367	
Principal Outstanding	<u>\$ 241,554,910</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 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](https://trsga.com/publications).

##### Benefits Provided

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

### Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The University's contractually required contribution rate for the year ended June 30, 2021, was 19.06% of the annual University payroll. The University's contributions to TRS totaled \$23,680,274, for the year ended June 30, 2021.

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

### Plan description

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

### Benefits provided

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

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

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

### Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2021 was 19.91% of annual covered payroll for old plan members, 24.66% for new plan members and 21.57% for GSEPS members. The University's contributions to ERS totaled \$104,701 for the year ended June 30, 2021. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2021, the 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, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020, was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2020. At June 30, 2020, the University's TRS proportion was 0.970005%, which was an decrease of (0.021050)% from its

proportion measured as of June 30, 2019. At June 30, 2020, the University's ERS proportion was 0.017383%, which was an increase of 0.003304% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$44,161,770 for TRS and \$271,307 for ERS. At June 30, 2021, 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	\$ 10,233,155	\$ —	\$ 8,925	\$ —
Changes of assumptions	24,202,507	—	—	—
Net difference between projected and actual earnings on pension plan investments	5,659,368.00	—	10,349	—
Changes in proportion and differences between contributions and proportionate share of contributions	8,457,063	3,106,396	158,232	—
Contributions subsequent to the measurement date	23,680,274	—	104,701	—
Total	<u>\$ 72,232,367</u>	<u>\$ 3,106,396</u>	<u>\$ 282,207</u>	<u>\$ —</u>

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2022	\$ 11,995,381	\$ 124,168
2023	\$ 15,525,516	\$ 32,276
2024	\$ 13,111,045	\$ 12,011
2025	\$ 4,813,755	\$ 9,051

### Actuarial assumptions

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

#### Teachers Retirement System

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

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



rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

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

#### Employees' Retirement System

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\* Rates shown are net of inflation

#### **Discount rate**

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

**Sensitivity of the 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 6.25%	Current discount rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 372,611,367	\$ 234,973,177	\$ 122,149,325

**Employees' Retirement System:**

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	\$ 1,030,760	\$ 732,686	\$ 478,314

**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](https://trsga.com/publications) and [ers.ga.gov/financials](https://ers.ga.gov/financials), respectively.

**B. Defined Contribution Plan:****Regents Retirement Plan****Plan Description**

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

**Funding Policy**

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

The University and the covered employees made the required contributions of \$9,559,485 (9.24%) and \$6,207,486 (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 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The 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 aged 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, 2021.

## 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 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

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

Active Employees	3,197
Retirees or Beneficiaries Receiving Benefits	808
Retirees Receiving Life Insurance Only	<u>140</u>
Total	<u><u>4,145</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 2021 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. For employees hired on or after January 1, 2013, and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2021, the University contributed \$7,471,326 to the plan for current premiums or claims.

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

At June 30, 2021, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2020. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the University's proportion was 6.214816%, which was an increase of 0.016640% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized OPEB expense of \$23,703,158. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,833,082	\$ 1,328,027
Changes of assumptions	30,430,965	23,638,278
Net difference between projected and actual earnings on OPEB plan investments	—	103,173
Changes in proportion and differences between contributions and proportionate share of contributions	13,202,434	—
Contributions subsequent to the measurement date	7,471,326	—
Total	<u>\$ 67,937,807</u>	<u>\$ 25,069,478</u>

The University's contributions subsequent to the measurement date of \$7,471,326 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2022	\$	4,642,157
2023	\$	4,710,155
2024	\$	6,028,321
2025	\$	5,936,585
2026	\$	5,432,509
Thereafter	\$	8,647,276

### Actuarial assumptions

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

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

### Changes in Assumptions Since Prior Valuation

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

#### Plan Changes:

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

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

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



#### Discount rate

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

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

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

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
Proportionate Share of the Net OPEB Liability	\$ 404,104,992	\$ 331,480,838	\$ 273,358,527

#### 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 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 274,849,232	\$ 331,480,838	\$ 403,289,500
Pre-Medicare Eligible	5.7% decreasing to 3.5%	6.7% decreasing to 4.5%	7.7% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

#### OPEB plan fiduciary net position:

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

## Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal year 2021 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 125,946,853	\$ 14,493,227	\$ 75,499,298	\$ 367,551	\$ 33,332
Research	1,067,475	764,570	315,455	419	3,160
Public Service	624,167	4,110,665	1,443,004	15,743	72
Academic Support	11,244,567	24,627,342	10,450,916	5,689	2,089
Student Services	477,240	22,466,114	7,797,928	17,464	103
Institutional Support	689,432	20,129,623	13,515,322	947,632	269
Plant Operations and Maintenance	—	13,308,108	5,090,972	—	1,240
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	2,265	16,536,034	5,831,751	238,705	88,182
Total Operating Expenses	<u>\$ 140,051,999</u>	<u>\$ 116,435,683</u>	<u>\$ 119,944,646</u>	<u>\$ 1,593,203</u>	<u>\$ 128,447</u>

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 23,404	\$ 404,593	\$ 6,171,713	\$ 2,986,645	\$ 225,926,616
Research	153,478	23,621	1,184,449	69,443	3,582,070
Public Service	—	18,453	2,090,177	85,469	8,387,750
Academic Support	—	192,265	20,999,924	2,985,800	70,508,592
Student Services	10,660	634,773	5,285,819	3,476,092	40,166,193
Institutional Support	11,250	382,220	16,624,375	2,072,849	54,372,972
Plant Operations and Maintenance	—	5,454,036	14,340,917	9,141,378	47,336,651
Scholarships and Fellowships	48,753,236	—	—	—	48,753,236
Auxiliary Enterprises	4,389,359	4,486,932	39,090,450	12,120,385	82,784,063
Total Operating Expenses	<u>\$ 53,341,387</u>	<u>\$ 11,596,893</u>	<u>\$ 105,787,824</u>	<u>\$ 32,938,061</u>	<u>\$ 581,818,143</u>

## Note 19 Subsequent Event

Kennesaw State University (KSU) entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) where KSUF would renovate and improve a student housing facility (Howell Hall). This facility will be leased to KSU for a 30-year period through June 30, 2052, with lease payments totaling \$20,505,809. At the end of the lease, the ownership of the student housing facility will transfer to KSU. The commencement of the lease will be at the substantial completion of the improvements, which is expected to occur in fiscal year 2022. On September 1, 2020, Kennesaw State University Foundation, Inc. entered into a promissory note agreement to repay \$9,625,000 Series 2020C bonds issued by the Development Authority of Cobb County. The proceeds of the bonds will be used for the purpose of financing the cost of renovating and improving Howell Hall, a student housing facility located on the Marietta campus of Kennesaw State University, fund capitalized interest for the Series 2020C Bonds and paying all or a portion of the costs of issuing the Series 2020 Bonds.

Kennesaw State University (KSU) entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) where KSUF would construct and equip a student housing facility. This new facility will be leased to KSU for a 30-year period through June 30, 2052, with lease payments totaling \$65,324,543. At the end of the lease, the ownership of the student housing facility will transfer to KSU. The commencement of the lease will be at the substantial completion of the improvements, which is expected to occur in fiscal year 2022. On December 17, 2020, Kennesaw State University Foundation, Inc. entered into a promissory note agreement to repay \$35,360,000 Series 2020 bonds issued by the Development Authority of Cobb County. The proceeds of the bonds will be used for the

purpose of (i) financing the cost of acquiring, constructing and equipping a student housing facility consisting of 508 beds to be located on the Kennesaw campus of Kennesaw State University, (ii) fund capitalized interest for the Series 2020 Bonds and (iii) paying all or a portion of the costs of issuing the Series 2020 Bonds.

In June 2021, a lease for an office building was amended with a revised payment schedule. The revised payment schedule called for a payment of \$8,743,469 in June 2021 and no further payments throughout the term of the lease. As a result, the lease obligation related to the building was reduced to zero. In fiscal year 2022, ownership of the building is expected to transfer to the University.

In September 2021, Kennesaw State University accepted the Academic Learning Center, a \$47,380,000 capital project managed by the Georgia State Financing & Investment Commission.

## **Note 20 Component Unit**

### **Kennesaw State University Foundation, Inc.**

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The relationship between Kennesaw State University and the Kennesaw State University Foundation, Inc. is such that exclusion of KSUF financial statements from these departmental financial statements would render them misleading. KSUF met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600.

The KSUF acts primarily as a fund-raising and financing organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2021, the KSUF distributed approximately \$6,574,767 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

The University manages the operations of the Foundation owned housing for a management fee. The budgeted dollar amount as well as the management fee received from Foundation was accounted as Other Grants and Contract revenues by the University offset by the expenses incurred by University to manage the housing.

In fiscal year 2021, KSUF was required to adopt Accounting Standards Update (ASU 2016-02) issued by the Financial Accounting Standards Board ("FASB") requiring not-for-profit lessees to report a right-of-use asset along with a lease liability. The Foundation has an operating lease right-of-use asset and an operating lease liability recorded at \$6,589,311. This asset and liability has been included in Other Assets and Other Liabilities on the Statement of Net Position.

In July 2020, the Foundation discontinued its hospitality operations which resulted in a loss on the disposal of discontinued operations of \$2,624,437. The loss is included as a Special Item in the Statement of Revenues, Expenses and Changes in Net Position.

Component unit's investments are comprised of the following amounts at June 30, 2021:

	<u>Fair Value</u>
Investment type	
Debt Securities	
U.S. Agencies	
Corporate Debt	13,601,395
Money Market Mutual Funds	6,163,657
Mutual Bond Funds	8,702,108
Other Investments	
Equity Mutual Funds - Domestic	6,227,811
Equity Mutual Funds - International	46,936,738
Real Estate Investment Trusts	4,305,378
Other	14,415,358
Total Investments	<u><u>\$ 100,352,445</u></u>

Component unit's endowments are comprised of the following amounts at June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning Balance	\$ 5,000,000	\$ 54,137,727	\$ 59,137,727
Contributions	—	15,764,439	15,764,439
Net realized and unrealized gains	—	16,262,962	16,262,962
Appropriation of endowment assets for expenditure	—	(1,294,643)	(1,294,643)
Transfers to comply with donor intent	—	6,625,440	6,625,440
Other	(4,541,855)	4,541,855	—
Ending	<u><u>\$ 458,145</u></u>	<u><u>\$ 96,037,780</u></u>	<u><u>\$ 96,495,925</u></u>

Amounts due to component unit related to direct financing lease activity as of June 30, 2021, is as follows:

Year Ending June 30:	
2022	\$ 18,532,644
2023	18,542,349
2024	18,543,164
2025	18,556,209
2026	18,566,000
2027 through 2031	74,815,643
2032 through 2036	66,536,732
2037 through 2041	54,656,723
2042 through 2046	14,007,045
Total Minimum Lease Payments to be Received	<u>302,756,509</u>
Less: Unearned Income	<u>(108,353,026)</u>
Net Investment in Direct Financing Lease Receivable	<u><u>\$ 194,403,483</u></u>

Component unit's capital assets are comprised of the following amounts at June 30, 2021:

Capital Assets not being Depreciated:

Land	\$	3,540,899
Capitalized Collections		626,784
Construction Work-in-Progress		17,883,361
Total Capital Assets not being Depreciated		<u>22,051,044</u>

Capital Assets being Depreciated:

Building and Building Improvements		133,712,011
Equipment		15,215,544
Software		82,581
Total Capital Assets being Depreciated/Amortized		<u>149,010,136</u>

Less Total Accumulated Depreciation/Amortization		<u>79,714,242</u>
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Total Capital Assets being Depreciated/Amortized, Net		<u>69,295,894</u>
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Capital Assets, Net	\$	<u>91,346,938</u>
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Component unit's long-term liabilities are comprised of the following amounts at June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Liabilities under Split Interest Agreement	\$ 2,265	\$ —	\$ 550	\$ 1,715	\$ 550
Notes and Loans Payable	1,560,000	—	1,560,000	—	—
Revenue/Mortgage Bonds Payable	337,715,000	64,260,000	38,825,004	363,149,996	13,815,000
Bond - Premium	12,033,228	3,961,830	2,867,930	13,127,128	—
Bond - (Discount and Issuance Cost)	(4,630,424)	(1,219,199)	(970,563)	(4,879,060)	—
Total Long Term Liabilities	<u>\$ 346,680,069</u>	<u>\$ 67,002,631</u>	<u>\$ 42,282,921</u>	<u>\$ 371,399,779</u>	<u>\$ 13,815,550</u>

Component unit's bonds payable are comprised of the following amounts at June 30,2021:

	Principal	Interest	Total
Year ending June 30:			
2022	13,815,000	14,825,979	\$ 28,640,979
2023	14,195,000	14,695,526	\$ 28,890,526
2024	14,950,000	14,038,482	\$ 28,988,482
2025	16,315,000	13,344,905	\$ 29,659,905
2026	17,050,000	12,587,199	\$ 29,637,199
2027 through 2031	83,900,000	51,328,423	\$ 135,228,423
2032 through 2036	89,245,000	32,475,845	\$ 121,720,845
2037 through 2041	69,120,000	13,747,300	\$ 82,867,300
2042 through 2046	30,485,000	4,403,165	\$ 34,888,165
2237 through 2051	10,040,000	1,888,637	\$ 11,928,637
2052 through 2056	4,034,993	240,450	\$ 4,275,443
	<u>\$ 363,149,993</u>	<u>\$ 173,575,911</u>	<u>\$ 536,725,904</u>
Bond Premium	13,127,128		13,127,128
Bond (Discount)	(4,879,057)		(4,879,057)
	<u>\$ 371,398,064</u>	<u>\$ 173,575,911</u>	<u>\$ 544,973,975</u>





**REQUIRED**

**SUPPLEMENTARY**

**INFORMATION**

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

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2021	\$ 104,701	\$ 104,701	\$ —	\$ 424,578	24.66%
	June 30, 2020	\$ 102,597	\$ 102,597	\$ —	\$ 457,657	22.42%
	June 30, 2019	\$ 96,890	\$ 96,890	\$ —	\$ 329,046	29.45%
	June 30, 2018	\$ 33,651	\$ 33,651	\$ —	\$ 137,017	24.56%
	June 30, 2017	\$ 49,098	\$ 49,098	\$ —	\$ 198,195	24.77%
	June 30, 2016	\$ 39,126	\$ 39,126	\$ —	\$ 158,275	24.72%
	June 30, 2015	\$ 23,268	\$ 23,268	\$ —	\$ 105,956	21.96%
	June 30, 2014	\$ 31,308	\$ 31,308	\$ —	\$ 169,321	18.49%
	June 30, 2013	\$ 19,697	\$ 19,697	\$ —	\$ 132,193	14.90%
	June 30, 2012	\$ 21,502	\$ 21,502	\$ —	\$ 184,884	11.63%
Teachers' Retirement System	June 30, 2021	\$ 23,680,274	\$ 23,680,274	\$ —	\$ 124,240,682	19.06%
	June 30, 2020	\$ 26,588,070	\$ 26,588,070	\$ —	\$ 125,771,381	21.14%
	June 30, 2019	\$ 25,259,080	\$ 25,259,080	\$ —	\$ 121,159,582	20.85%
	June 30, 2018	\$ 19,646,648	\$ 19,646,648	\$ —	\$ 116,891,631	16.81%
	June 30, 2017	\$ 14,757,957	\$ 14,757,957	\$ —	\$ 103,247,814	14.29%
	June 30, 2016	\$ 13,576,004	\$ 13,576,004	\$ —	\$ 95,179,702	14.26%
	June 30, 2015	\$ 11,607,133	\$ 11,607,133	\$ —	\$ 88,267,171	13.15%
	June 30, 2014	\$ 8,326,658	\$ 8,326,658	\$ —	\$ 66,613,266	12.50%
	June 30, 2013	\$ 7,777,316	\$ 7,777,316	\$ —	\$ 68,172,439	11.41%
	June 30, 2012	\$ 6,932,081	\$ 6,932,081	\$ —	\$ 67,432,695	10.28%

**KENNESAW STATE UNIVERSITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS**  
**FOR THE LAST SEVEN 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, 2021	0.017383%	\$ 732,686	\$ 457,657	160.10%	76.21%
	June 30, 2020	0.014079%	\$ 580,974	\$ 329,046	176.56%	76.74%
	June 30, 2019	0.005372%	\$ 220,845	\$ 137,017	161.18%	76.68%
	June 30, 2018	0.008080%	\$ 328,156	\$ 198,195	165.57%	76.33%
	June 30, 2017	0.006807%	\$ 322,000	\$ 158,275	203.44%	72.34%
	June 30, 2016	0.004634%	\$ 187,742	\$ 105,956	177.19%	76.20%
	June 30, 2015	0.735200%	\$ 282,497	\$ 169,321	166.84%	77.99%
Teachers Retirement System	June 30, 2021	0.970005%	\$ 234,973,177	\$ 125,771,381	186.83%	77.01%
	June 30, 2020	0.991055%	\$ 213,103,623	\$ 121,159,582	175.89%	78.56%
	June 30, 2019	0.980684%	\$ 182,035,957	\$ 116,891,631	155.73%	80.27%
	June 30, 2018	0.898854%	\$ 167,054,784	\$ 103,247,814	161.80%	79.33%
	June 30, 2017	0.866499%	\$ 178,768,405	\$ 95,179,702	187.82%	76.06%
	June 30, 2016	0.835486%	\$ 127,194,447	\$ 88,267,171	144.10%	81.44%
	June 30, 2015	0.823564%	\$ 104,046,449	\$ 66,613,266	156.19%	81.03%

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

**KENNESAW STATE UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
DEFINED BENEFIT PENSION PLAN  
METHODS AND ASSUMPTIONS  
FOR FISCAL YEAR ENDED JUNE 30, 2021**

*Changes of assumptions*

Employees' Retirement System:

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date. The assumed investment rate of return remained at 7.30% for the June 30, 2019 actuarial valuation.

Changes of benefit terms: A new benefit tier was added for members joining the System on and after July 1, 2009. A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016, and a one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017. Two one-time 2% payments were granted to certain retirees and beneficiaries effective July 2018 and January 2019. Two one-time 3% payments were granted to certain retirees and beneficiaries effective July 2019 and January 2020.

Teachers Retirement System:

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

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

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

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

**KENNESAW STATE UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN  
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN  
FOR THE LAST FIVE 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, 2021	\$ 7,471,326	\$ 7,471,326	\$ —	\$ 234,273,937	3.19%
June 30, 2020	\$ 6,388,334	\$ 6,388,334	\$ —	\$ 228,397,295	2.80%
June 30, 2019	\$ 9,940,821	\$ 9,940,821	\$ —	\$ 219,848,409	4.52%
June 30, 2018	\$ 9,499,540	\$ 9,499,540	\$ —	\$ 211,487,878	4.49%
June 30, 2017	\$ 5,809,862	\$ 5,809,862	\$ —	\$ 192,024,215	3.03%

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

**KENNESAW STATE UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN  
FOR THE LAST FOUR 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, 2021	6.214816%	\$ 331,480,838	\$ 228,397,295	145.13%	2.91%
June 30, 2020	6.198176%	\$ 277,155,654	\$ 219,848,409	126.07%	3.13%
June 30, 2019	5.996430%	\$ 264,487,602	\$ 211,487,878	125.06%	1.69%
June 30, 2018	5.834138%	\$ 246,184,631	\$ 192,024,215	128.20%	0.19%

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

**KENNESAW 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, 2021**

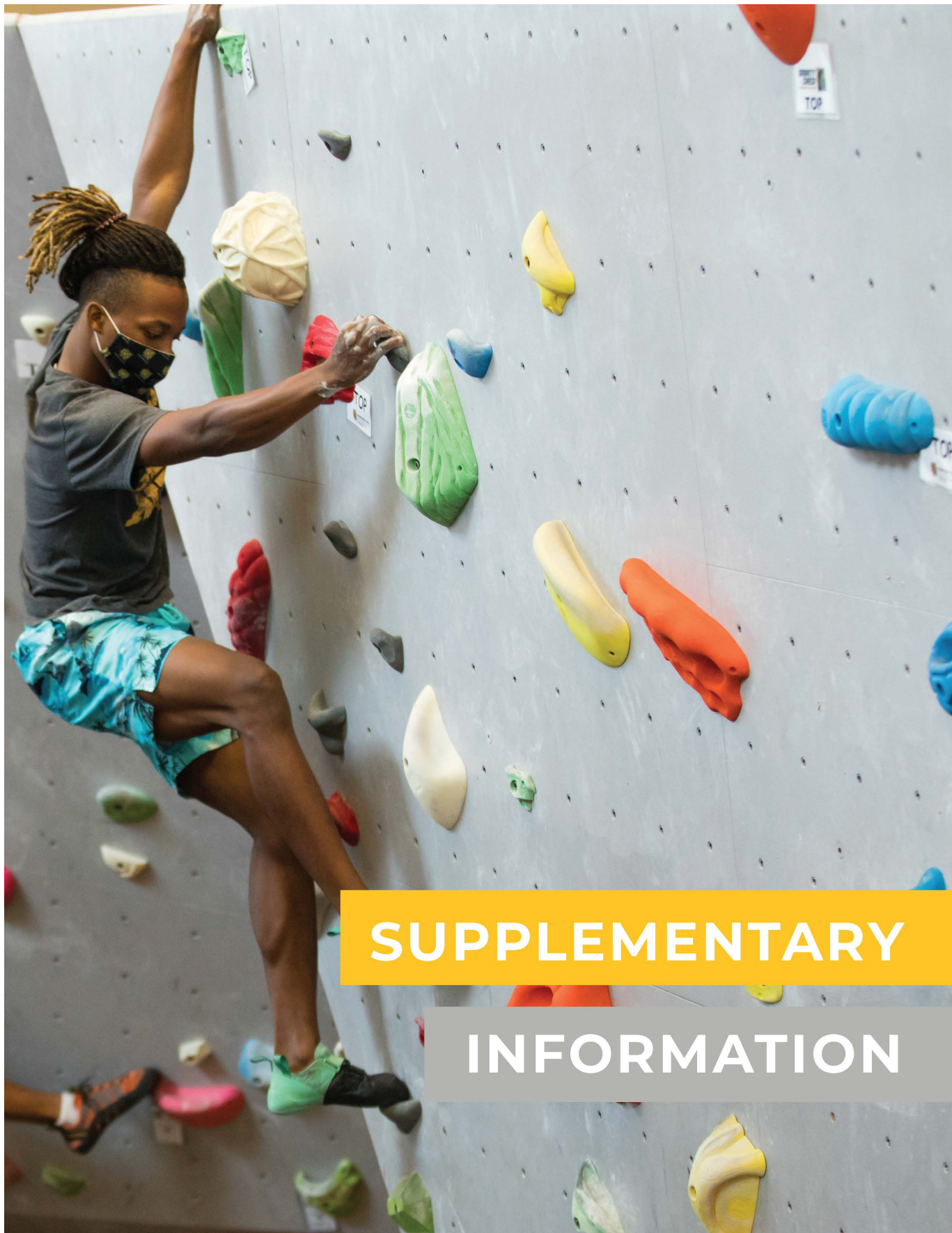
*Changes in Assumptions Since Prior Valuation*

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

*Plan Changes*

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





# SUPPLEMENTARY INFORMATION

**KENNESAW STATE UNIVERSITY**  
**BALANCE SHEET (NON-GAAP BASIS)**  
**BUDGET FUNDS**  
**JUNE 30, 2021**  
**(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$	78,538,689.34
Investments		101,030.34
Accounts Receivable		
Federal Financial Assistance		6,433,640.02
Other		15,688,486.35
Prepaid Expenditures		183,392.50
Other Assets		16,800.00
		<hr/>
Total Assets	\$	<u>100,962,038.55</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	972,019.05
Encumbrance Payable		47,490,111.44
Accounts Payable		2,319,477.74
Unearned Revenue		18,714,563.44
Funds Held for Others		199,756.87
Other Liabilities		47,910.00
		<hr/>
Total Liabilities		<u>69,743,838.54</u>

Fund Balances

Reserved		
Department Sales and Services		11,183,418.65
Indirect Cost Recoveries		3,368,247.51
Technology Fees		5,329,903.41
Restricted/Sponsored Funds		1,710,833.46
Uncollectible Accounts Receivable		4,006,788.35
Tuition Carry - Forward		5,597,108.02
Unreserved		
Surplus		21,900.61
		<hr/>
Total Fund Balances		<u>31,218,200.01</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u>100,962,038.55</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.

**KENNESAW 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, 2021**

	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	\$ 801,179.00	\$ 854,912.00	\$ 854,912.00	\$ —
Total Public Service / Special Funding Initiatives	801,179.00	854,912.00	854,912.00	—
Teaching				
State Appropriation				
State General Funds	146,126,711.00	148,176,258.00	148,176,258.00	—
Federal Funds - COVID19				
Federal Funds Not Itemized-Covid		42,843,168.00	35,871,959.37	—
Other Funds	300,883,700.00	384,021,554.00	343,852,244.02	27,962,635.55
Total Teaching	447,010,411.00	575,040,980.00	527,900,461.39	27,962,635.55
Total Operating Activity	447,811,590.00	575,895,892.00	528,755,373.39	27,962,635.55

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.

**KENNESAW 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, 2021**

	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	\$ —	\$ 854,912.00	\$ —	\$ 854,912.00	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	148,176,258.00	—	148,176,258.00	—	—
Federal Funds - COVID19						
Federal Funds Not Itemized- Covid	—	35,871,959.37	-6,971,208.63	35,857,905.73	6,985,262.27	14,053.64
Other Funds	—	371,814,879.57	-12,206,674.43	344,500,580.91	39,520,973.09	27,314,298.66
Total Teaching		555,863,096.94	(19,177,883.06)	528,534,744.64	46,506,235.36	27,328,352.30
Total Operating Activity		556,718,008.94	-19,177,883.06	529,389,656.64	46,506,235.36	27,328,352.30

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.

**KENNESAW STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE  
BY PROGRAM AND FUNDING SOURCE  
BUDGET FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2020 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching					
State Appropriation					
State General Funds	36,439.15	—	(36,439.15)	12,993.62	—
Federal Funds-COVID19					
Federal Funds Not Itemized- Covid	—	—	—	—	—
Other Funds	32,133,693.64	(27,962,635.55)	(4,171,058.09)	53,171.78	(183,106.04)
Total Teaching	32,170,132.79	(27,962,635.55)	(4,207,497.24)	66,165.40	(183,106.04)
Total Operating Activity	32,170,132.79	(27,962,635.55)	(4,207,497.24)	66,165.40	(183,106.04)
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	3,823,682.31	—	—	—	183,106.04
Budget Unit Totals	<u>\$ 35,993,815.10</u>	<u>\$ (27,962,635.55)</u>	<u>\$ (4,207,497.24)</u>	<u>\$ 66,165.40</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.

**KENNESAW STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE  
BY PROGRAM AND FUNDING SOURCE  
BUDGET FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Early Return of Fiscal Year 2021 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	—	—	12,993.62	—	12,993.62	12,993.62
Federal Funds-COVID19						
Federal Funds Not Itemized- Covid	—	14,053.64	14,053.64	14,053.64		14,053.64
Other Funds	—	27,314,298.66	27,184,364.40	27,175,457.41	8,906.99	27,184,364.40
Total Teaching	—	27,328,352.30	27,211,411.66	27,189,511.05	21,900.61	27,211,411.66
Total Operating Activity	—	27,328,352.30	27,211,411.66	27,189,511.05	21,900.61	27,211,411.66
Prior Year Reserves						
Not Available for Expenditure						
Uncollectible Accounts Receivable			4,006,788.35	4,006,788.35		4,006,788.35
Budget Unit Totals	\$ —	\$ 27,328,352.30	\$ 31,218,200.01	\$ 31,196,299.40	\$ 21,900.61	\$ 31,218,200.01
		Departmental Sales and Services		\$ 11,183,418.65	\$ —	\$ 11,183,418.65
		Indirect Cost Recovery		3,368,247.51	—	3,368,247.51
		Technology Fees		5,329,903.41	—	5,329,903.41
		Restricted/Sponsored Funds		1,710,833.46	—	1,710,833.46
		Tuition Carry-Forward		5,597,108.02	—	5,597,108.02
		Uncollectible Accounts Receivable		4,006,788.35	—	4,006,788.35
		Surplus		—	21,900.61	21,900.61
				\$ 31,196,299.40	\$ 21,900.61	\$ 31,218,200.01

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.

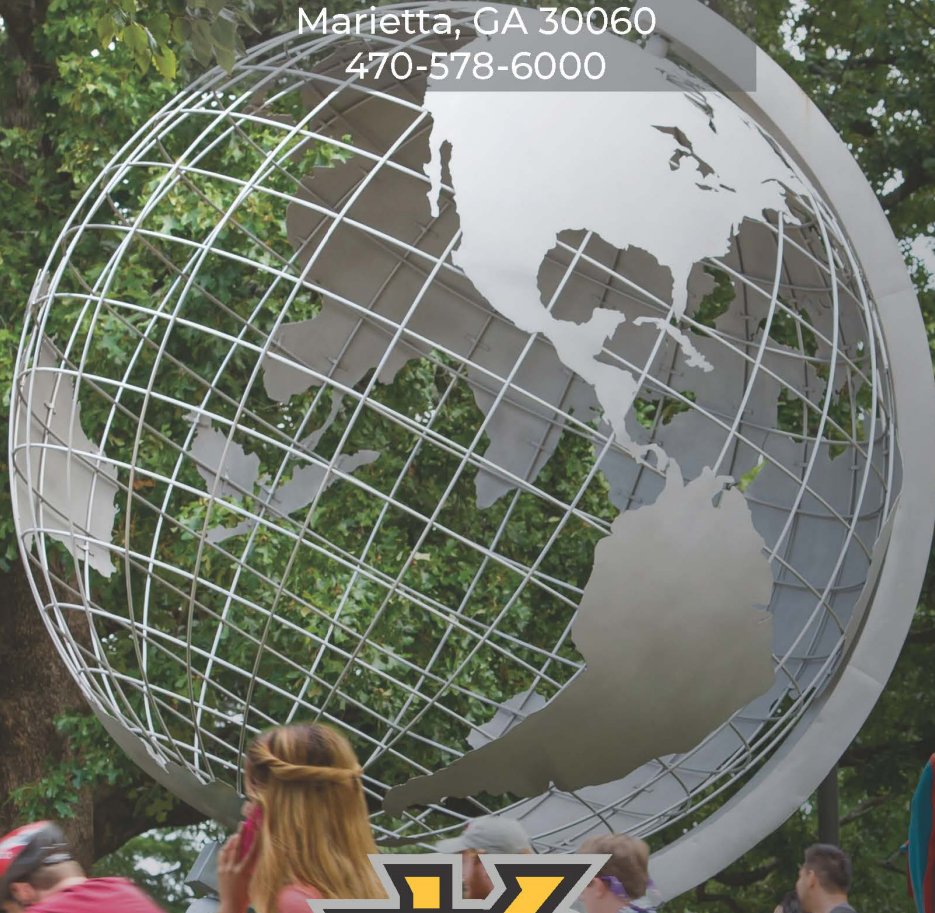


## **KENNESAW CAMPUS**

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470-578-6000

## **MARIETTA CAMPUS**

1100 South Marietta Pkwy  
Marietta, GA 30060  
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**KENNESAW STATE  
UNIVERSITY**

[kennesaw.edu](http://kennesaw.edu)