NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY**

\_\_\_\_ Technical College (the College) is one of twenty-two (22) State supported member Institutions of postsecondary education in Georgia which comprise the Technical College System of Georgia. The accompanying financial statements reflect the operations of \_\_\_\_\_\_\_Technical College as a separate reporting entity.

The College’s local board of directors is composed of twelve (12) members serving staggered three-year terms who are appointed by the State Board of the Technical College System of Georgia. Appropriation of state funds is made to the Technical College System of Georgia by the General Assembly of Georgia. The System Office of the Technical College System of Georgia determines the amount of state appropriations to be received by the College. The College does not have the authority to retain unexpended state appropriations (surplus) for any given year. Accordingly, the College is considered an organizational unit of the Technical College System of Georgia for financial reporting purposes because of the significance of its legal, operational, and financial relationships as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying financial statements represent the financial position, 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 College. These financial statements 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 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   
Annual Comprehensive Financial Report (ACFR). The most recent State of Georgia ACFR is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

**BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PREPARATION**

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

The College’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-college transactions have been eliminated.

The College reports the following fiduciary fund:

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

**NEW ACCOUNTING PRONOUNCEMENTS**

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

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1).

**INVESTMENTS**

Investments include financial instruments with terms in excess of 13 months. The College accounts for its investments at fair value. Changes in fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position.

**ACCOUNTS RECEIVABLE**

Accounts receivable consist of tuition and fee charges to students, allotments due from the Office of the State Treasurer of Georgia, reimbursements due from federal, state, local and private grants and contracts, and other receivables disclosed from information available. Accounts receivable are recorded net of estimated uncollectible amounts.

**CAPITAL ASSETS**

Capital assets are recorded at cost at date of acquisition, or fair value at the time of donation in the case of gifts. The College capitalizes all land and land improvements. For equipment, the College’s capitalization policy includes all items with a unit cost of $5,000.00 or more, and an estimated useful life of greater than one year. Buildings and building improvements, improvements other than buildings, and intangible assets other than software that exceed $100,000.00 or significantly increase the value or extend the useful life of the asset are capitalized. For infrastructure and software, the College's capitalization threshold is $1,000,000.00. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 60 years for buildings, 10 to 100 years for infrastructure, 15 to 50 years for improvements other than buildings, 10 years for library collections, 3 to 20 years for equipment, 3   
to 10 years for software, and 20 years for intangibles.

To fully portray capital assets acquired by the College, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to both the Technical Colleges and the Technical College System of Georgia. The 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 GSFIC. The bonds are issued for the purpose of acquiring capital assets and this debt constitutes 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 major construction projects, GSFIC records construction in progress on its books throughout the construction period and at project completion transfers the entire project costs to the College to be recorded as an asset on the College's books.

**ADVANCES**

Advances include amounts received for tuition and fees, grant and contract sponsors and other exchange type activities prior to the end of the fiscal year but related to the subsequent accounting period.

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources consist of the consumption of net assets by the College that are applicable to a future reporting period.

**COMPENSATED ABSENCES**

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

**NONCURRENT LIABILITIES**

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

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources consist of the acquisition of net assets by the College that are applicable to a future reporting period.

**OTHER POST-EMPLOYMENT BENEFIT (OPEB)**

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 Georgia State Employees Postemployment Benefit Fund (State OPEB Fund) and additions to/deductions from the State OPEB Fund's fiduciary net position have been determined on the same basis as they are reported by the State OPEB Fund. For this purpose, the State OPEB Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**PENSIONS AND NET PENSION LIABILITY**

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

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

**NET POSITION**

The College's net position is classified as follows:

*Net Investment in Capital Assets:*  This represents the College’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 the 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 expendable:* Includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

*Unrestricted:*  Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the College to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $xxxxxxxx. Unexpended state appropriations must be refunded to the Office of the State Treasurer.

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

**SCHOLARSHIP ALLOWANCES**

Scholarship allowances are the differences between the stated charge for goods and services provided by the College, 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 non-governmental programs are recorded as either operating or non-operating revenues in the College’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded contra revenue for scholarship allowances.

**RESTATEMENT OF PRIOR YEAR NET POSITION**

The College made prior period adjustments due to the early adoption of GASB Statement No. 84, *Fiduciary Activities*, which requires the restatement of the June 30, 2019 business-type activities, cash and cash equivalents, and fiduciary fund net position. The result is an increase in fiduciary net position at July 1, 2019 of $2,095,243.52 reported on the Combining Statement of Changes in Fiduciary Net Position and an increase in cash and cash equivalents at July 1, 2019 of $11,975,486.12 reported on the Combining Statement of Cash Flows. This change is in accordance with generally accepted accounting principles.

NOTE 2: DEPOSITS AND INVESTMENTS

Reconciliation of cash and cash equivalents and investments to carrying value of deposits:



**DEPOSITS**

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 College’s deposits may not be recovered. Funds belonging to the State of Georgia (and thus the College) 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 Section 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. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

At June 30, 2021, the bank balances of the College’s deposits totaled $xxxxxx. Of these deposits, $xxxxxxxxxx were exposed to custodial credit risk as follows:



**INVESTMENTS**

At June 30, 2021, the College had the following investments:



Fair Value of Investments

The College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

The College has the following recurring fair value measurements as of June 30, 2021:

Money Market Mutual Funds - Domestic of $xxxxxxxx are valued using quoted market prices.   
(Level 1 inputs)

*Credit Quality Risk*

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

The investments subject to credit quality risk are reflected below:



*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 College does not have a formal policy for managing concentration of credit risk.

At June 30, 2021, all of business-type activity investments were investments in money market mutual funds.

**NOTE 3: ACCOUNTS RECEIVABLE**

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



NOTE 4: CAPITAL ASSETS

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



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



**NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)**

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



NOTE 5: LONG-TERM LIABILITIES

The College’s long-term liability activity for the year ended June 30, 2021 was as follows:



NOTE 6: 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:



NOTE 7: NET POSITION

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



**NOTE 8: LEASE OBLIGATIONS**

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

**CAPITAL LEASES**

The College acquires certain 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 College. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility.

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



**OPERATING LEASES**

The College leases facilities and office equipment. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriations from the General Assembly to continue the obligation. Other leases generally   
contain provisions that, at the expiration date of the original term of the lease, the Institution   
has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The College’s operating lease expense for the fiscal year 2021   
was $xxxxxxxxx.

**FUTURE COMMITMENTS**

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



NOTE 9: RETIREMENT PLANS

The significant retirement plans that the College 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.

**Teachers Retirement System of Georgia and Employees’ Retirement System of Georgia**

***General Information about the Teachers Retirement System***

***Plan description:*** Teachers Retirement System (TRS) is a cost-sharing multiple-employer defined benefit pension plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio state employees, five appointees by the governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS. All teachers in the state public schools, the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in educational-related work are eligible for membership. TRS issues a publicly available financial report that can be obtained at www.[trsga.com/publications](http://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 6.00 % of their annual pay during fiscal year 2021. The College’s contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual payroll. College contributions to TRS were $XXXXXXX 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 [www.ers.ga.gov](http://www.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 $4,200.00, plus 6% of annual compensation in excess of $4,200.00. 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 College’s contractually required contribution rate for the year ended June 30, 2021 was 24.66%

of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The College’s contributions to ERS totaled $XXXXXX 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 College reported a liability for its proportionate share of the net pension liability for TRS and ERS totaling $XXXXXXXXX. 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 College’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 College’s TRS proportion was XXXX%, which was a decrease of 0.XXXXX% from its proportion measured as of June 30, 2019. At June 30, 2020, the College’s ERS proportion was XXXXXX%, which was an increase of 0.XXXXXX% from its proportion measured as of   
June 30, 2019.

For the year ended June 30, 2021, the College recognized pension expense of $XXXXXXX for TRS and $XXXXXXX for ERS. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

****

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



***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  Cost of living adjustment | 7.25%, net of pension plan investment expense, including inflation  1.50% annually |

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

***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 and the assumed rate of inflation.

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:



***Discount rate:***The discount rate used to measure the total TRS pension liability was 7.25% and ERS pension liability was 7.30%. 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 College’s proportionate share of the net pension liability to changes in the discount rate:***The following presents the College’s proportionate share of the net pension liability calculated using the applicable discount rate, as well as what the College’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:



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

NOTE 10: RISK MANAGEMENT

### Public Entity Risk Pool

The Department of Community Health administers for the State of Georgia a program of health benefits for the employees of units of government of the State of Georgia, units of county governments, and local education agencies located with the State of Georgia. This plan is funded by participants covered in the plan, by employers' contributions paid by the various units of government participating in the plan.

### Other Risk Management

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 College, as an organizational unit of the Technical College System of Georgia, 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.

NOTE 11: 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 College, 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 12: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund)**

***General Information about the State OPEB Fund***

***Plan description:*** - Employees of State organizations as defined in §45-18-25 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

***Benefits provided:*** The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from one of the State’s retirement plans. If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

***Contributions:*** As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the College were $XXXXXXX for the year ended June 30, 2021. Active employees are not required to contribute to the State OPEB Fund.

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

At June 30, 2021, the College reported a liability of $XXXXXX 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 June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The College’s proportion of the net OPEB liability was based on actual member salaries reported to the OPEB plan during the fiscal year ended June 30, 2020. At June 30, 2020, the College’s proportion was XXXXX%, which was an increase of 0.XXXXX% from its proportion measured as of June 30, 2019.

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



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



***Actuarial assumptions:*** The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of   
June 30, 2020:

|  |  |
| --- | --- |
| Inflation | 2.75% |
| Salary increases | 3.25% - 7.00%, including inflation |
| Long-term expected rate of return  Healthcare cost trend rate  Pre-Medicare Eligible  Medicare Eligible  Ultimate trend rate  Pre-Medicare Eligible  Medicare Eligible  Year of Ultimate trend rate  Pre-Medicare Eligible  Medicare Eligible | 7.30%, net of investment expense, including inflation   7.25%  5.38%  4.75%  4.75%  2028  2022 |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

* For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
* For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the pension Colleges, which covered the five-year period ending   
June 30, 2014.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan  
members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB 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 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:



***Discount rate:*** In order to measure the total OPEB liability for the State OPEB Fund, a discount rate of 7.30% was used, as compared with last year’s single equivalent rate of 5.22%. Based on those assumptions, the OPEB 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 investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected future benefit payments for all current plan members were projected through 2120.

***Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the discount rate:*** The following presents the College’s proportionate share of the net OPEB liability calculated using the discount rate of 7.30%, as well as what the College’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%)   
or 1-percentage-point higher (8.30%) than the current discount rate:



***Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:*** The following presents the College’s proportionate share of the net OPEB liability, as well as what the College’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:

******

***OPEB plan fiduciary net position***

Detailed information about the OPEB plan’s fiduciary net position is available in the Annual Comprehensive Financial Report (ACFR) which is publicly available at *<https://sao.georgia.gov/comprehensive-annual-financial-reports>.*

**Postemployment Benefits Other Than Pensions (SEAD – OPEB)**

***General Information about the SEAD-OPEB Fund***

***Plan Description:*** SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend   
Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees’ Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

***Benefits Provided:*** The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

***Contributions:*** Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of one percent of the member’s earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the College reported an asset of $XXXXXXX for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2019. An expected total OPEB asset as of June 30, 2020 was determined using standard roll-forward techniques. The College’s proportion of the net OPEB asset was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2020. At June 30, 2020, the College’s proportion   
was XXXXXX%, which was an decrease of 0.XXXXX% from its proportion measured as of   
June 30, 2019.

For the year ended June 30, 2021, the College recognized a credit to OPEB expense of $XXXXX. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



***Actuarial assumptions:*** The total OPEB asset as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

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

Postretirement 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 two years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

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 long-term assumed rate of return and the assumed annual rate of inflation.

The long-term expected rate of return on OPEB 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 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 asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



***Discount rate:*** The discount rate used to measure the total OPEB liability was 7.30%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the College’s proportionate share of the net OPEB asset to changes in the discount rate***: The following presents the College’s proportionate share of the net OPEB asset calculated using the discount rate of 7.30%, as well as what the College’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage-point higher (8.30%) than the current rate:



***OPEB plan fiduciary net position:*** Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publicly available at [www.ers.ga.gov/financials](http://www.ers.ga.gov/financials).