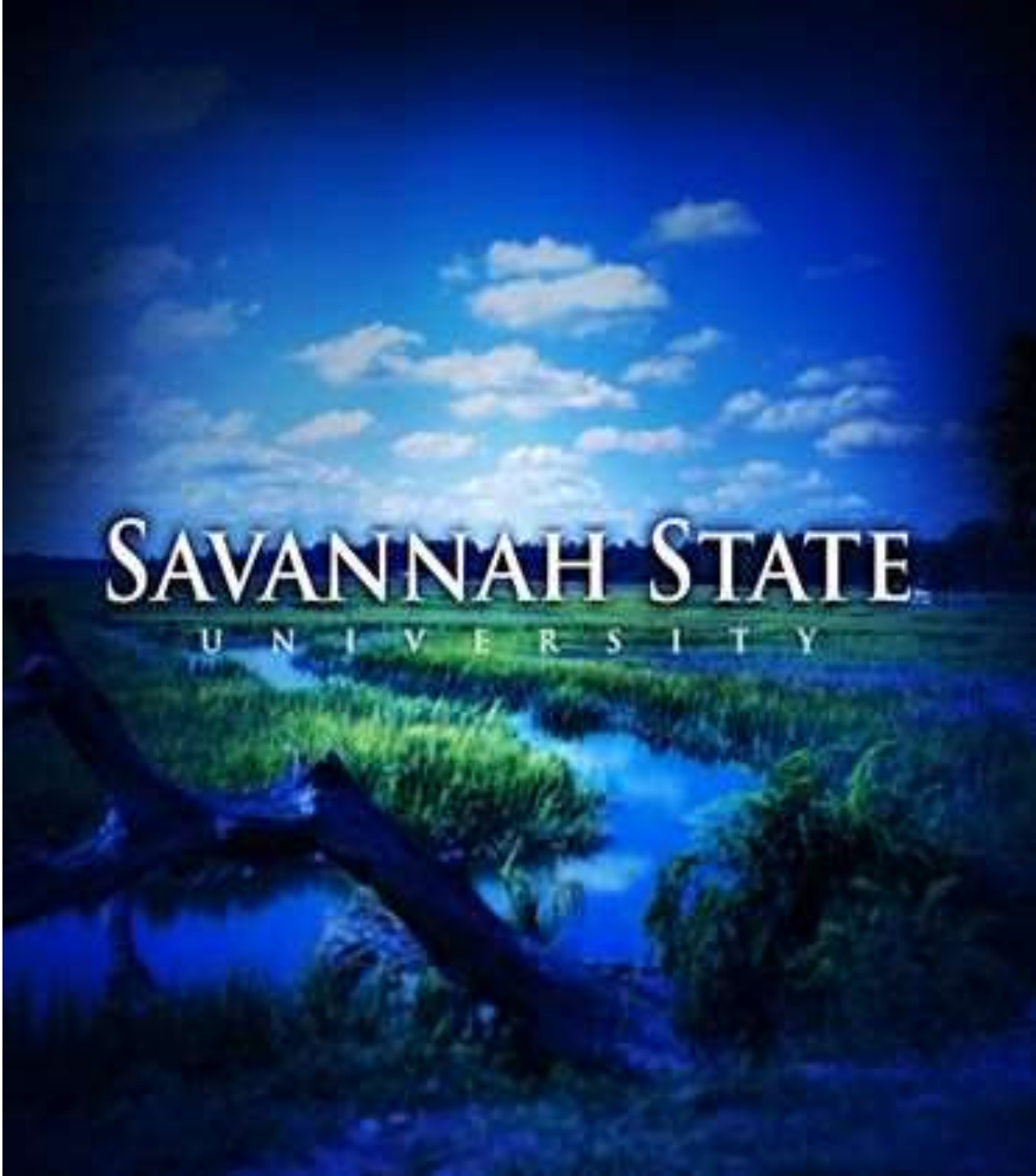


SAVANNAH STATE UNIVERSITY

Annual Financial Report
Fiscal Year Ended June 30, 2015



Savannah, Georgia

SAVANNAH STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2015

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Message from the President

Savannah State University has enjoyed success on many fronts during the past year, thanks to the support of its many stakeholders: the University System of Georgia, its Board of Regents, the governor and legislators, our faithful alumni, the SSU Foundation, the dedicated faculty and staff, our vital and involved student body and the city of Savannah as a whole. At Savannah State University, we are proud of our history and our accomplishments. We prepare smart, bold students with the knowledge to succeed. They learn in classrooms and labs, on the oceans and across the globe. The university fosters engaged learning and personal growth in a student centered environment that celebrates the African-American legacy while nurturing a diverse student body.

Our fall 2014 enrollment was the largest in history, exceeding 4,900 students. Funding in the amount of \$20.5 million was received to construct two facilities to support programs in the College of Sciences and Technology: a marine sciences building and lab building for technology and chemistry instruction. Additionally, faculty and students studied under more than \$10 million in grant-funded research and made important discoveries. Savannah State's global reach expanded to include study abroad and exchange programs at an impressive 32 institutions in Africa, Asia, Europe and the Americas.

It was a very successful year for Savannah State University on many fronts and we have a course for success in the future. We are now celebrating our 125th year – the oldest public HBCU in the state and the oldest institution of higher learning in Savannah. We are proud of our distinct heritage and are eager to serve the community for another 125 years.

Cheryl Davenport Dozier, DSW, President
Savannah State University



Letter of Transmittal

August 4, 2015

To President, Savannah State University,

The Annual Financial Report (AFR) includes the financial statements for the year ended June 30, 2015 as well as other useful information that help to ensure the University's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis which includes all note disclosure necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2015.

Responsibility for the accuracy of this information and for the completeness and fairness of its presentation, including all note disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses and other changes in net position.

We also believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

The University's financial records are reviewed by the Department of Audits and Accounts on an annual basis. The University's internal auditors also perform fiscal compliance and performance engagements. The results of which are shared with the University's management. The audit of the University's financial assistance programs is performed by the Department of Audits and Accounts in conjunction with the statewide Single Audit.

Respectfully submitted,



Edward B. Jolley, Jr., CPA, MBA
Vice-President Business & Financial Affairs/CBO



SAVANNAH STATE UNIVERSITY
Management's Discussion and Analysis

Introduction

Savannah State University is one of the 30 institutions of higher education of the University System of Georgia. The University was chartered by the State of Georgia in 1890 and has been an important part of higher education for 125 years. Savannah State University serves an increasingly diverse student population on a picturesque campus with large oak trees, an expansive marsh, and historic architectural structures that are beautifully maintained. Underneath the beauty and tranquility, however, is a vibrant residential campus bursting with the vim and vigor of quality collegiate life and faculty-student engagement.

Savannah State University develops productive members of a global society through academic engagement and high quality instruction, scholarship, research, service and community involvement. The University offers baccalaureate and masters' degrees in a wide variety of subjects, with a broad range of education opportunities that attract a highly qualified faculty and a student body of almost 5,000 students each year. The institution continues to grow as shown by the comparison numbers that follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2015	228	4,915	4,674
Fiscal Year 2014	210	4,772	4,563
Fiscal Year 2013	182	4,582	4,334

Overview of the Financial Statements and Financial Analysis

Savannah State University is pleased to present its financial statements for fiscal year 2015. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2015 and fiscal year 2014.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2015 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution and how much the institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution.

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 institution 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 institution for any lawful purpose.

Statement of Net Position, Condensed

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets:		
Current Assets	\$ 11,516,105	\$ 14,387,338
Capital Assets, Net	147,540,396	153,148,227
Other Assets	8,218,394	7,861,424
Total Assets	<u>167,274,895</u>	<u>175,396,989</u>
Deferred Outflows of Resources	2,609,034	-
Liabilities:		
Current Liabilities	7,739,971	7,354,444
Non-Current Liabilities	127,529,287	107,095,746
Total Liabilities	<u>135,269,258</u>	<u>114,450,190</u>
Deferred Inflows of Resources	7,912,477	-
Net Position:		
Net Investment in Capital Assets	41,492,503	45,273,740
Restricted		
Nonexpendable	6,321,045	5,199,866
Expendable	1,207,923	1,202,737
Unrestricted	<u>(22,319,277)</u>	<u>9,270,456</u>
Total Net Position	<u>\$ 26,702,194</u>	<u>\$ 60,946,799</u>

Total assets and deferred outflows of resources decreased by \$5,513,060 or 3% which was primarily due to a decrease of \$3,466,898 or approximately 37% in Cash and Cash Equivalents and a decrease in the category of Capital Assets, Net, due to depreciation. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction, research and public service missions of the institution.

Total liabilities and deferred inflows of resources increased for the year by \$28,731,545 or 25%. The combination of the decrease in total assets and deferred outflows of resources of \$5,513,060 and the increase in total liabilities and deferred inflows of resources of \$28,731,545 yields a decrease in net position of \$34,244,605 or 56%. This decrease occurred primarily as a result of the recognition of a prior period adjustment in the amount of \$28,893,923 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The remainder of the decrease, \$5,350,682 is attributable to the operations of the University and is supported by the Statement of Revenues, Expenses and Changes in Net Position.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. 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 institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position, Condensed

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenues	\$ 53,626,627	\$ 54,312,395
Operating Expenses	<u>91,864,146</u>	<u>89,572,601</u>
Operating Loss	(38,237,519)	(35,260,206)
Nonoperating Revenues and Expenses	<u>32,536,016</u>	<u>32,523,069</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	(5,701,503)	(2,737,137)
Other Revenues, Expenses, Gains or Losses	<u>350,821</u>	-
Increase/(Decrease) in Net Position	(5,350,682)	(2,737,137)
Net Position at Beginning of Year, as originally reported	60,946,799	63,683,936
Prior Year Adjustments	<u>(28,893,923)</u>	-
Net Position at Beginning of Year, Restated	<u>32,052,876</u>	<u>63,683,936</u>
Net Position at End of Year	<u>\$ 26,702,194</u>	<u>\$ 60,946,799</u>

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in operating revenues of \$685,768 or 1.3% over prior year while operating expenses increased by \$2,291,545 or 2.6%. Non-operating revenues were insufficient to offset the operating loss and the Loss before Capital Items was \$5,701,503, approximately 108% increase over prior year. Some highlights of the information presented on this statement are as follows:

Revenue by Source

For the Years Ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenues		
Tuition and Fees	\$ 13,018,682	\$ 12,705,861
Federal Appropriations	-	-
Grants and Contracts	9,220,238	9,492,562
Sales and Services	802,863	630,187
Auxiliary	30,262,546	31,270,375
Other	322,298	213,410
Total Operating Revenues	<u>53,626,627</u>	<u>54,312,395</u>
Nonoperating Revenues		
State Appropriations	19,458,854	18,655,084
Grants and Contracts	17,609,545	17,492,256
Gifts	582,592	1,095,812
Investment Income	414,352	808,386
Other	29,590	117,245
Total Nonoperating Revenues	<u>38,094,933</u>	<u>38,168,783</u>
Capital Gifts and Grants		
State	350,821	-
Other Capital Gifts and Grants	-	-
Total Capital Gifts and Grants	<u>350,821</u>	<u>-</u>
Total Revenues	<u>\$ 92,072,381</u>	<u>\$ 92,481,178</u>

Expenses (By Functional Classification)

For the Years Ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Expenses		
Instruction	\$ 21,765,103	\$ 20,351,563
Research	1,793,104	1,823,266
Public Service	2,178,353	2,153,460
Academic Support	8,778,517	9,012,679
Student Services	5,822,438	5,502,055
Institutional Support	10,053,323	9,566,733
Plant Operations and Maintenance	10,215,785	10,616,769
Scholarships and Fellowships	3,388,886	3,389,672
Auxiliary Enterprises	27,868,637	27,156,404
Total Operating Expenses	91,864,146	89,572,601
Nonoperating Expenses		
Interest Expense (Capital Assets)	5,558,917	5,645,714
Total Expenses	<u>\$ 97,423,063</u>	<u>\$ 95,218,315</u>

Operating revenues decreased by (\$685,768) in fiscal year 2015. Although Tuition and Fees, net, increased \$312,821 or 2.5% this was only a moderate increase and the University experienced a reduction in enrollment during the spring semester.

The Auxiliary revenue decrease of (\$1,007,829) is primarily due to the enrollment drop in the spring semester as well as summer enrollment. The largest drop in revenues was experienced in Food Services of (\$835,593), a 7.87% decrease from prior year. For the first time in over five years Residence Halls and Food Services experienced declining revenues. It is expected that this trend will not continue due to the following actions: the hiring of a new Housing Director; enhanced housing strategies, and increasing enrollment. Housing administration in coordination with student affairs will ensure that occupancy levels will be maintained at higher levels throughout the year.

At the beginning of this fiscal year campus housing was at maximum capacity and the University utilized campus housing at Armstrong Atlantic University through a contractual arrangement. Housing rental bed capacity and rents collected are included in the following schedule.

Housing Facility	Beds	Rents
Bostic	200	\$ 607,377
Bowen	200	\$ 521,407
Camilla	76	\$ 296,836
Freshman LLC	306	\$ 1,579,090
University Village	660	\$ 3,515,738
University Commons	703	\$ 3,826,738
Wright Hall	104	\$ 577,813
Tiger Place	171	\$ 881,198
Tiger Court	325	\$ 1,758,121
Armstrong State (contracted)	50	\$ 9,814
	2795	\$ 13,574,132

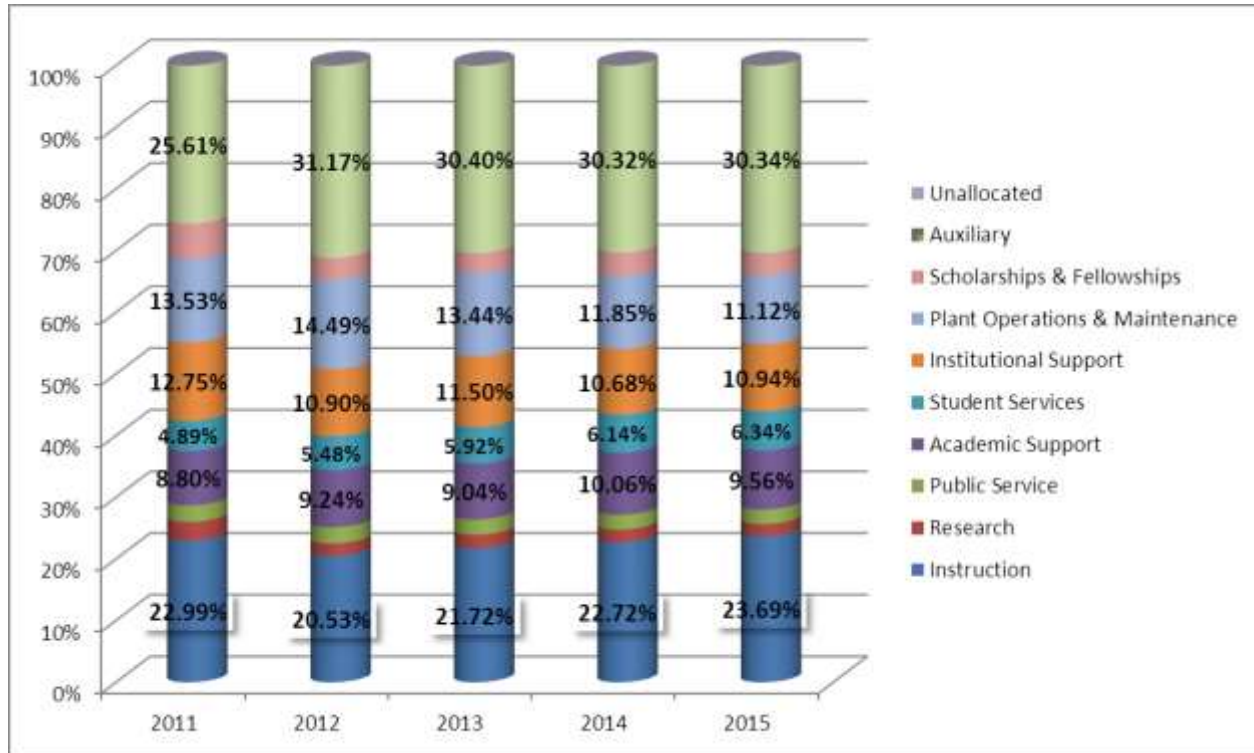
The Bookstore declined almost 18% in revenues over the prior year. Although some of this is attributable to the decommissioning of the Convenience Store, the Bookstore vendor did start providing rental services which is less expensive to students and results in less commissions to the University. It should also be noted that the third party vendor operating the Bookstore was acquired by another entity during the year and that there is now an open market for purchasing textbooks on line.

Non-operating revenues decreased by (\$73,850) for the year primarily due to a decrease in Gifts and Investment Income.

The compensation and employee benefits category increased by \$2,690,070 and primarily affected the Instruction category. See the Statement of Revenues, Expenses, and Changes in Net Position where Faculty Salaries increased approximately 13.3% over prior year while staff salaries only increased approximately 5.6% over prior year. (Also see the Functional Classification of Operating Expenses in Note 15.) The increase reflects the addition of 18 full-time faculty members, the expanded use of part-time or adjunct instructors, merit increases based on performance, and equity increases for faculty. Merit increases were also given to staff based upon performance evaluations. Additionally, there was an increased cost of health insurance.

Utilities increased by \$380,992 during the past year. Although there was a slight increase in the cost of electricity, \$316,247 of the increase was the reclassification of Telecommunications charges, which had previously been charged to Other Services. It should be noted that Other Services declined due, in part, to this reclassification.

The following table is a graphic representation of the Functional Classification of Operating Expenses (see Note 15 to the Financial Statements for detail) with signification classifications presented as a percentage of Operating Expenses:



Statement of Cash Flows

The final statement presented by Savannah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. Cash flow information can be used to evaluate the financial viability of the University's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2015 and 2014, Condensed

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Provided (used) By:		
Operating Activities	\$ (31,689,576)	\$ (28,320,769)
Non-capital Financing Activities	37,085,144	37,648,034
Capital and Related Financing Activities	(8,865,123)	(9,695,590)
Investing Activities	<u>11,097</u>	<u>(621)</u>
Net Change in Cash	(3,458,458)	(368,946)
Cash, Beginning of Year	<u>9,482,610</u>	<u>9,851,556</u>
Cash, End of Year	<u>\$ 6,024,152</u>	<u>\$ 9,482,610</u>

As noted previously, the significant increase in operating expenses while not increasing revenues accordingly resulted in a \$3,458,458 decrease in cash over the prior year.

Capital Assets

The University had one significant capital asset addition for facilities in fiscal year 2015. The Hubert Technology "C" Roof Replacement and "D" HVAC system were completed and added as building improvements in the amount \$714,828. Construction in progress in the amount of \$1,259,199 includes primarily the Kennedy Fine Arts Building Addition, the Marine Sciences Building, and the Whiting Hall Addition.

Savannah State University expended \$1,830,433 on capital assets per the Statement of Cash Flows, of which \$714,828 was previously noted as capitalized and \$638,641 is still within construction in progress. Of the remaining amount, \$165,129 represented library additions, \$144,845 were servers and other information technology systems equipment, \$95,356 was instructional equipment (lab equipment, projectors, etc.), \$30,633 was furniture, \$15,650 was a football scoreboard, \$13,047 was for a conveyor oven, \$7,104 was for a 2005 Chevrolet S-10 Blazer LS, and \$5,200 was for a Cargo Trailer.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 10 in the Notes to the Financial Statements.

Long Term Liabilities

Savannah State University had Long-Term Liabilities of \$130,473,874 of which \$2,944,587 was reflected as current liability at June 30, 2015. For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

Economic Outlook

The 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 moderate to strong. Even with a relatively flat funded year, the University was able to maintain sufficient liquidity to meet its debt and obligations.

While there is no more debt planned in the immediate future and current enrollment indications are that the University will continue the trend of the last decade, Savannah State University is aware that it must align its resources with its strategic plan to ensure success of its initiatives. This past year is indicative that operating expenses must be continually monitored to ensure they are in line with not only the budget, but also the strategic objectives of the University. The Comptroller's Office will continue to monitor cash balances, perform ratio analysis, and maintain a close watch over resources to sustain the University's ability to react to unknown internal and external issues.

The strategic planning priorities at Savannah State University are:

- ***Academic Engagement and Achievement***
- ***Community and Economic Development***
- ***Global Education Experiences***
- ***Sustainability and Resources***
- ***Technological Competitiveness***

Savannah State University has a sound financial base and demonstrated financial stability, as well as adequate resources, to support the mission of the institution and the scope of its programs and services. Resource sustainability is imperative in order to obtain these strategic initiatives as set forth by the leadership of the University, the President, and the University System of Georgia Board of Regents.

Respectfully submitted,

Mary H. Loomis, CPA, MPA

Assistant Vice-President, Business & Finance/Comptroller





Savannah State University Financial Statements

SAVANNAH STATE UNIVERSITY

Statements of Net Position

	<u>June 30, 2015</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 5,975,703
Short-term Investments	408,276
Accounts Receivable, net	
Receivables - Federal Financial Assistance	1,721,098
Receivables - State General Appropriations	-
Margin Allocation Funds	
Receivables - Other	2,970,527
Due From Affiliated Organizations	
Inventories	67,243
Prepaid Items	373,258
Other Assets	
Total Current Assets	<u>11,516,105</u>
Non-Current Assets	
Noncurrent Cash	\$ 48,449
Short-term Investments	28,787
Investments (Externally Restricted)	6,452,327
Due from Affiliated Organizations	
Due from USO - Capital Liability Reserve Fund	844,039
Investments	-
Notes Receivable, net	844,792
Capital Assets, net	147,540,396
Other Assets	
Total Non-Current Assets	<u>155,758,790</u>
TOTAL ASSETS	<u>167,274,895</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Debt Refunding	
Deferred Loss on Defined Benefit Pension Plan	2,609,034
Deferred Outflows - Other	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,609,034</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY
Statements of Net Position (Continued)

LIABILITIES

Current Liabilities

Accounts Payable	\$ 1,265,503
Salaries Payable	133,634
Benefits Payable	97,847 [▼]
Contracts and Retainage Payable	
Deposits	
Advances (Including Tuition and Fees)	1,741,117 [▼]
Other Liabilities	1,521
Deposits Held for Other Organizations	1,555,762
Lease Purchase Obligations	2,052,110
Compensated Absences	892,477 [▼]
Due to Affiliated Organizations	
Notes and Loans Payable	
Total Current Liabilities	7,739,971

Non-Current Liabilities

Lease Purchase Obligations	\$ 103,995,783
Advances (Including Tuition and Fees)	
Compensated Absences	1,023,948 [▼]
Net Pension Liability	22,509,556
Due to Affiliated Organizations	
Notes and Loans Payable	
Other Non-current Liabilities	
Total Non-Current Liabilities	127,529,287

TOTAL LIABILITIES	135,269,258
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DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Debt Refunding	
Deferred Grants Received in Advance of Timing Requirements	
Deferred Service Concession Arrangements	
Deferred Gain on Defined Benefit Pension Plan	7,912,477
Deferred Inflows - Other	
TOTAL DEFERRED INFLOWS OF RESOURCES	7,912,477

NET POSITION

Net Investment in Capital Assets	41,492,503 [▼]
Restricted for	
Nonexpendable	6,321,045 [▼]
Expendable	1,207,923 [▼]
Unrestricted	(22,319,277)
TOTAL NET POSITION	\$ 26,702,194

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

REVENUES

Operating Revenues		
Student Tuition and Fees (net of allowance for doubtful accounts)	\$	29,393,220
Less: Scholarship Allowances		(16,374,538) ▼
Federal Appropriations		
Grants and Contracts		
Federal		8,715,350
Federal Stimulus		84,250
State		3,202
Other		417,436
Sales and Services		802,863
Rents and Royalties		57,249
Auxiliary Enterprises		
Residence Halls		14,035,105
Bookstore		195,753
Food Services		9,786,537
Parking/Transportation		766,353
Health Services		656,989
Intercollegiate Athletics		4,787,424
Other Organizations		34,385
Other Operating Revenues		265,049
Total Operating Revenues		<u>53,626,627</u>

EXPENSES

Operating Expenses		
Salaries:		
Faculty	\$	15,118,160
Staff		20,016,181
Employee Benefits		10,086,798
Other Personal Services		387,580
Travel		1,151,211
Scholarships and Fellowships		6,406,945
Utilities		3,888,406
Supplies and Other Services		27,347,169
Depreciation		7,461,696 ▼
Total Operating Expenses		<u>91,864,146</u> ▼
Operating Income (loss)		<u>(38,237,519)</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY**Statement of Revenues, Expenses, and Changes in Net Position
(Continued)**

NONOPERATING REVENUES (EXPENSES)	
State Appropriations	\$ 19,458,854 [▼]
Grants and Contracts	
Federal	17,609,545
Federal Stimulus	
State	
Other	
Gifts	582,592
Investment Income (endowments, auxiliary and other)	414,352
Interest Expense (capital assets)	(5,558,917)
Other Nonoperating Revenues (Expenses)	29,590
Net Nonoperating Revenues	<u>32,536,016</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(5,701,503)</u>
Capital Grants and Gifts	
Federal	
State	350,821 [▼]
Other	
Special Item - Capital Asset Transfer	
Special Item - Bond Defeasance	
Total Other Revenues, Expenses, Gains or Losses	<u>350,821</u>
Increase (Decrease) in Net Position	<u>(5,350,682)</u>
NET POSITION	
Net Position-Beginning of Year, As Originally Reported	60,946,799
Prior Year Adjustments	<u>(28,893,923) [▼]</u>
Net Position-Beginning of Year, Restated	<u>32,052,876</u>
Net Position-End of Year	<u>\$ 26,702,194</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY

Statement of Cash Flows

June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 13,297,571
Federal Appropriations	
Grants and Contracts (Exchange)	9,091,629
Sales and Services	802,863
Payments to Suppliers	(43,928,606)
Payments to Employees	(35,114,892)
Payments for Scholarships and Fellowships	(6,406,945)
Loans Issued to Students and Employees	
Collection of Loans to Students and Employees	55,325
Auxiliary Enterprise Charges:	
Residence Halls	14,091,769
Bookstore	195,753
Food Services	9,781,762
Parking/Transportation	711,772
Health Services	654,665
Intercollegiate Athletics	4,636,768
Other Organizations	33,199
Other Receipts	407,791
Other Payments	-
Net Cash Provided (used) by Operating Activities	<u>(31,689,576)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	\$ 19,458,854
Federal Stimulus - Stabilization Funds	
Agency Funds Transactions	(572,007)
Gifts and Grants Received for Other Than Capital Purposes	18,192,138
Principal Paid on Installment Debt	-
Interest Paid on Installment Debt	-
Other Nonoperating Receipts (Expenses)	6,159
Negative Cash Balance Implicitly Financed	
Net Cash Flows Provided by Non-capital Financing Activities	<u>37,085,144</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Gifts and Grants Received	\$ 350,821
Proceeds from Sale of Capital Assets	
Purchases of Capital Assets	(1,830,433)
Principal Paid on Capital Debt and Leases	(1,826,594)
Interest Paid on Capital Debt and Leases	(5,558,917)
Net Cash used by Capital and Related Financing Activities	<u>(8,865,123)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	\$ -
Interest on Investments	241,871
Purchase of Investments	(230,774)
Net Cash Provided (used) by Investing Activities	<u>11,097</u>
Net Increase/Decrease in Cash	(3,458,458)
Cash and Cash Equivalents - Beginning of year	9,482,610
Cash and Cash Equivalents - End of Year	<u>\$ 6,024,152</u>

The accompanying notes are an integral part of these financial statements.

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

Savannah State 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 and throughout the country.

Reporting Entity

Savannah State University is one of thirty (30) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Savannah State University as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Savannah State University does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Savannah State University is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Legally separate, tax exempt Affiliated Organizations whose activities primarily support units of the University System of Georgia, which are organizational units of the State of Georgia, are considered potential Component Units of the State. See Note 16 for additional information.

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, liabilities, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's 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. All significant intra-University transactions have been eliminated.

New Accounting Pronouncements

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of this statement does not have a significant impact on the University's financial statements.

In fiscal year 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred outflows of resources and deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions.

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.

Short-Term Investments

Short-Term Investments consist of investments of 90 days – 13 months, which includes certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

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 the federal government, 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.

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 unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under Investments.

Inventories

Consumable supplies are carried at the first-in, first-out (“FIFO”) basis. Resale Inventories are valued at cost using the “first in, first out” (FIFO) basis.

Prepaid Items

Prepaid Items reflect payments of costs applicable to future accounting periods.

Noncurrent Cash and Investments

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Position.

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 generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. These bonds 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.

Capital Liability Reserve Fund

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (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. The Fund is financed by all USG institutions participating in the PPV program. 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 cooperative 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 the University. Savannah State University’s contribution to the fund as of June 30, 2015 was \$844,039.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments in a University residence hall.

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.

Deferred Outflows of Resources

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences 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 non-current assets.

Deferred Inflows of Resources

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

Net Position

The University's net position is classified as follows:

Investment in Capital Assets: This represents the University's total investment in capital assets.

Restricted – non-expendable includes endowment 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 be either expended or added to principal. The University may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

Restricted – expendable and expendable Capital Projects are restricted resources available for expenditure, but these restricted resources 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.

Unrestricted: Unrestricted 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 to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance 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

Savannah State 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 classify fiscal year activity as operating and non-operating 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.

Non-operating 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 No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

Operating Expenses: Operating expense includes activities that have the characteristics of exchange transactions.

Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. 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 non-governmental 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.

Restatement Note Disclosure

For fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of (\$28,893,923). This change is in accordance with generally accepted accounting principles.

Note 2. Deposits and Investments**Deposits**

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 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. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2015, the carrying value of deposits was \$6,459,675 and the bank balance was \$7,662,043. Of the University's deposits, \$6,638,491 were uninsured. Of these uninsured deposits, \$158,276 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$6,480,215 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name and \$0.00 were uncollateralized.

Investments

At June 30, 2015, the carrying value of the University's investments were \$6,452,327, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and/or Office of the State Treasurer investment pools as follows:

Investment Pools	
Board of Regents	
Short-Term Fund	
Legal Fund	835,045
Balanced Income Fund	
Total Return Fund	5,617,282
Diversified Fund	
Sub Total	<u>6,452,327</u>
Office of the State Treasurer	
Georgia Fund 1	
Georgia Extended Asset Pool	
Sub Total	<u>-</u>
Total Investment Pools	<u>\$ 6,452,327</u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is

voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits and Accounts – Education Audit Division or on their web site at <http://www.audits.ga.gov>.

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.

The Effective Duration of the Legal Fund is 3.43 years. Of the University’s total investment of \$835,045 in the Legal Fund, \$835,045 is invested in debt securities.

The Effective Duration of the Total Return Fund is 4.02 years. Of the University’s total investment of \$5,617,282 in the Total Return Fund, \$1,796,764 is invested in debt securities.

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.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2015:

	<u>June 30, 2015</u>
Student Tuition and Fees	\$ 1,476,268
Auxiliary Enterprises and Other Operating Activities	1,450,973
Federal Financial Assistance	1,721,098
State General Appropriations Allotment	-
Georgia Student Finance Commission	200,007
Georgia State Financing and Investment Commission	
Margin Allocation Funds	
Due from Affiliated Organizations	
Other	<u>932,262</u>
	5,780,608
Less: Allowance for Doubtful Accounts	<u>1,088,983</u>
Net Accounts Receivable	<u>\$ 4,691,625</u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2015:

Physical Plant	64,230
Other	<u>3,013</u>
Total	<u>\$ 67,243</u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2015. The Program 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 cancelled 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.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2015:

	Beginning Balances July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 975,219			\$ 975,219
Capitalized Collections	-			-
Construction Work-in-Progress	620,558	1,353,469	714,828	1,259,199
Total Capital Assets Not Being Depreciated	1,595,777	1,353,469	714,828	2,234,418
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	-			-
Building and Building Improvements	88,834,136	714,828		89,548,964
Facilities and Other Improvements	4,436,200	-		4,436,200
Equipment	8,784,489	460,335	16,326	9,228,498
Capital Leases	110,333,789	-		110,333,789
Library Collections	8,245,876	165,129	10,522	8,400,483
Capitalized Collections	55,285	-	-	55,285
Water, Timber, and Mineral Rights and Easements	-			-
Patents, Trademarks, and Copyrights	-			-
Software	-			-
Total Capital Assets Being Depreciated/Amortized	220,689,775	1,340,292	26,848	222,003,219
Less: Accumulated Depreciation/Amortization				
Infrastructure	-			-
Buildings	36,904,415	2,187,003		39,091,418
Facilities and Other Improvements	2,168,426	133,953		2,302,379
Equipment	5,217,430	846,513	(108,742)	6,172,685
Capital Leases	17,826,032	4,036,566		21,862,598
Library Collections	7,002,789	256,279	10,522	7,248,546
Capitalized Collections	18,233	1,382	-	19,615
Water, Timber, and Mineral Rights and Easements	-			-
Patents, Trademarks, and Copyrights	-			-
Software	-			-
Total Accumulated Depreciation/Amortization	69,137,325	7,461,696	(98,220)	76,697,241
Total Capital Assets, Being Depreciated/Amortized, Net	151,552,450	(6,121,404)	125,068	145,305,978
Capital Assets, net	\$ 153,148,227	\$ (4,767,935)	\$ 839,896	\$ 147,540,396

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, 2015, GSFIC did not transfer any capital additions to Savannah State University.

Note 7. Advances (Including Tuition and Fees)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2015:

Prepaid Tuition and Fees	\$	366,343
Research		
Other - Advances		<u>1,374,774</u>
Totals	<u>\$</u>	<u>1,741,117</u>

Note 8. Long Term Liabilities

Long-Term liability activity for the year ended June 30, 2015 was as follows:

	(Restated) Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Leases					
Lease Purchase Obligations	\$ 107,874,487	\$ -	\$ 1,826,594	\$ 106,047,893	\$ 2,052,110
Other Liabilities					
Compensated Absences	1,815,465	1,294,780	1,193,820	1,916,425	892,477
Notes and Loans Payable	-	-	-	-	-
Net Pension Liability	31,126,063	-	8,616,507	22,509,556	-
Total	<u>32,941,528</u>	<u>1,294,780</u>	<u>9,810,327</u>	<u>24,425,981</u>	<u>892,477</u>
Total Long-Term Obligations	<u>\$ 140,816,015</u>	<u>\$ 1,294,780</u>	<u>\$ 11,636,921</u>	<u>\$ 130,473,874</u>	<u>\$ 2,944,587</u>

Note 9. Net Position

Net position is reported in the following three categories: Net Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted.

The amounts within each category at June 30, 2015 were as follows:

NET POSITION	
Net Investment in Capital Assets	\$ 41,492,503
Restricted for	
Nonexpendable	
Permanent Endowment	6,321,045
Expendable	
Restricted E&G and Other	
Organized Activities	
Federal Loans	976,129
Institutional Loans	23,876
Term Endowments	207,918
Quasi-Endowments	
Capital Projects	
Health Insurance Reserve	
Sub-Total	<u>1,207,923</u>
Unrestricted	
Auxiliary Operations	
R & R Reserve	7,112,743
Reserve for Encumbrances	1,457,074
Reserve for Inventory	63,205
Other Unrestricted	(30,952,299)
USO Reserve Fund	
Sub-Total	<u>(22,319,277)</u>
TOTAL NET POSITION	<u><u>\$ 26,702,194</u></u>

Note 10. Endowments

Donor Restricted Endowments:

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For Savannah State University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the University to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$238,614 and is reflected as restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated on the total return concept. Annual payouts from the University's endowment funds are based on a spending policy which limits spending between 3% and 5% of the endowments principal's market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

Note 11. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$1,267,406 as of June 30, 2015. This amount is not reflected in the accompanying basic financial statements.

Note 12. Lease Obligations

Savannah State University is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2041. Expenditures for fiscal year 2015 were \$7.385 million of which \$5.559 million represented interest. Total principal paid on capital leases was \$1.826 million for the fiscal year ended June 30, 2015. Interest rates range from 4.486 percent to 6.262 percent.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin	End	Outstanding Principal Balance at 6/30/15
<i>Tiger Point</i>	SSU Community Development	6,160,184	30	2012	2041	6,016,995
<i>Tiger Place</i>	SSU Community Development	8,182,797	30	2012	2041	7,985,201
<i>Camillia Hubert</i>	SSU Community Development	4,821,572	30	2012	2041	4,711,764
<i>University Commons</i>	SSU Real Estate Foundation	24,586,826	25	2010	2033	23,920,887
<i>University Village</i>	SSU Real Estate Foundation	29,229,205	25	2008	2033	26,691,855
<i>Sports Complex</i>	SSU Community Development	3,977,087	30	2013	2041	4,211,308
<i>Student Building C</i>	SSU Community Development	14,498,212	30	2013	2041	15,333,788
<i>Student Center/ Stadium</i>	SSU Community Development	17,750,772	30	2011	2040	17,176,095
Total Leases		\$ 109,206,655				\$ 106,047,893

These capital leases are related party transactions with affiliated organizations.

Operating Leases

Savannah State University's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2016. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet.

Savannah State University's fiscal year 2015 expense for rental of all real property and equipment under operating leases was \$554,450.

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, 2015, were as follows:

Year Ending June 30:	Real Property and Equipment	
	Capital Leases	Operating Leases
2016	7,272,359	107,411
2017	7,408,858	
2018	7,527,075	
2019	7,639,697	
2020	7,754,686	
2021 through 2025	40,584,849	
2026 through 2030	52,469,117	
2031 through 2035	33,229,479	
2036 through 2040	20,011,423	
2041	3,411,277	
	-	
Total minimum lease payments	\$ 187,308,820	\$ 107,411
Less: Interest	81,260,927	
Less: Executory costs (if paid)	-	
Principal Outstanding	<u>\$ 106,047,893</u>	

The following is a summary of the carrying values of assets held under capital lease at June 30, 2015:

Description	Gross Amount (+)	Less: Accumulated Depreciation (+)	Net, Assets Held Under Capital Lease at June 30, 2015 (=)	Outstanding Balances per lease schedules at June 30, 2015
Land	\$ -	\$ -	\$ -	\$ -
Land - (PPV)	-	-	-	-
Infrastructure	-	-	-	-
Infrastructure - (PPV)	-	-	-	-
Equipment	-	-	-	-
Equipment - (PPV)	-	-	-	-
Buildings	-	-	-	-
Buildings - (PPV)	110,333,789	21,862,598	88,471,191	106,047,893
Facilities and Improvements	-	-	-	-
Facilities and Improvements - (PPV)	-	-	-	-
Software	-	-	-	-
Total Assets Held Under Capital Lease at June 30, 2015	\$ 110,333,789	\$ 21,862,598	\$ 88,471,191	\$ 106,047,893

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.

Note 13. Retirement Plans

Savannah State University participates in the Teacher's Retirement System of Georgia retirement plan administered by the State of Georgia. This plan issues separate publicly available financial reports that include the applicable financial statements and required supplementary information. Reports may be obtained from the Teachers Retirement System of Georgia administrative offices.

The significant retirement plans that Savannah State 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.

Teachers Retirement System of Georgia

Summary of Significant Accounting Policies

Pensions: 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 fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

General Information about the Teachers Retirement System

Plan description: –All teachers of the University as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) 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 www.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 2015. The University's contractually required contribution rate for the year ended June 30, 2015 was 13.15 % of annual College/University payroll. University contributions to TRS were \$2,232,139 for the fiscal year ended June 30, 2015, utilizing the June 30, 2014, measurement date. University actual contributions transmitted to TRS were \$2,609,034 for the year ended June 30, 2015.

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

At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2014. At June 30 2014, the University's proportion was 0.178171%, which was a (decrease) of (0.000459%) from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$1,528,109. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	7,847,308
Changes in proportion and differences between University contributions and proportionate share of contributions	0	65,169
University contributions subsequent to the measurement date	2,609,034	
Total	<u>\$2,609,034</u>	<u>\$7,912,477</u>

University contributions subsequent to the measurement date of \$2,609,034 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, 2016.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2016	\$ (1,976,638)
2017	(1,976,638)
2018	(1,976,638)
2019	(1,976,640)
2020	(5,923)
Thereafter	-

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on 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	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50 %. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, 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 (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 41,482,091	\$ 22,509,556	\$ 6,886,067

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

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. 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 of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contract from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on the 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

Savannah State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2015, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

Savannah State University and the covered employees made the required contributions of \$929,578 (9.24%) and \$603,622 (6%), respectively.

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

Note 14. Risk Management

The University System of Georgia offers its employees and retirees access to four different healthcare plan options. For the University System of Georgia's Plan Year 2015, the following healthcare plan options were available:

- BlueChoice HMO
- Comprehensive Care Plan
- Consumer Choice HSA Plan
- Kaiser Permanente HMO

Savannah State University and participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care Plan and Consumer Choice HSA Plan.

The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser Permanente.

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. Savannah State University, as an organizational unit of the Board of Regents of the University 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.

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 Official Code of Georgia Annotated Section 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 15. 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 Savannah State University expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against Savannah State University (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

Note 16. Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total 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 employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2015, there were 236 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, Savannah State University recognized as incurred \$908,293 of expenditures, which was net of \$455,485 of participant contributions.

Note 17. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2015 are shown below:

Natural Classification	Functional Classification Fiscal Year 2015					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 13,698,934	\$ 207,837	\$ 70,637	\$ 1,083,620	\$ 1,960	\$ 67,172
Staff	1,726,910	442,394	949,414	3,437,078	2,692,240	3,973,041
Benefits	3,835,206	119,087	222,777	1,024,824	754,835	2,102,369
Personal Services						387,580
Travel	150,471	22,029	61,761	243,603	133,280	214,655
Scholarships and Fellowships	290,983	594,092	126,602	116,283	14,395	2,000
Utilities	63,194	204	5,572	(91,113)	231,433	45,360
Supplies and Other Services	1,825,758	312,337	733,414	2,623,179	1,346,672	3,129,091
Depreciation	173,647	95,124	8,176	341,043	647,623	132,055
Total Expenses	\$ 21,765,103	\$ 1,793,104	\$ 2,178,353	\$ 8,778,517	\$ 5,822,438	\$ 10,053,323

Natural Classification	Functional Classification Fiscal Year 2015					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	GRU Only Patient Care	Total Expenses
Faculty	\$ -	\$ -	\$ (12,000)	\$ -	\$ -	\$ 15,118,160
Staff	2,920,623		3,874,481			20,016,181
Benefits	670,764	-	1,356,936			10,086,798
Personal Services	-	-	-			387,580
Travel	12,038	-	313,374			1,151,211
Scholarships and Fellowships	-	3,382,562	1,880,028			6,406,945
Utilities	1,557,065	-	2,076,691			3,888,406
Supplies and Other Services	3,088,923	6,324	14,281,471			27,347,169
Depreciation	1,966,372		4,097,656	-		7,461,696
Total Expenses	\$ 10,215,785	\$ 3,388,886	\$ 27,868,637	\$ -	\$ -	\$ 91,864,146

Note 18. Affiliated Organizations

Savannah State University Foundation is legally separate, tax-exempt organization whose activities primarily support Savannah State University, a unit of the University System of Georgia. Because the University System of Georgia is an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statements 61, 39 and 14. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements may be obtained from Savannah State University.



Required Supplementary Information

Savannah State University
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Georgia
For the Year Ended June 30, 2015 (June 30, 2014 Measurement Date)

	2015
University's proportion of the net pension liability	0.178%
University's proportionate share of the net pension liability	\$ 22,509,506
University's covered-employee payroll during the measurement period	\$ 18,177,028
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.83%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Savannah State University
Required Supplementary Information
Schedule of Contributions
Teachers Retirement System of Georgia
For the Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 2,609,034
Contributions in relation to the contractually required contribution	\$ (2,609,034)
Contribution deficiency (excess)	\$ -
University's covered-employee payroll	\$ 19,840,563
Contributions as a percentage of covered-employee payroll	13.15%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**Savannah State University
Notes to Required Supplementary Information
For the Year Ended June 30, 2015**

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.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation