



**SAVANNAH STATE
UNIVERSITY
SAVANNAH, GEORGIA**

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2010

A Member Institution of the
University System of Georgia



**Georgia Department of
Audits and Accounts**

Russell W. Hinton
State Auditor

SAVANNAH STATE UNIVERSITY

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SECTION I

FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

October 6, 2010

Honorable Sonny Perdue, Governor
Members of the General Assembly of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Honorable Earl G. Yarbrough, Sr., President
Savannah State University

Ladies and Gentlemen:

As part of our audits of the basic financial statements of the University System of Georgia presented in the *Annual Financial Report* for the University System of Georgia, the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2010, we have performed certain audit procedures at Savannah State University. Accordingly, the financial statements and compliance activities of Savannah State University were examined to the extent considered necessary in order to express an opinion as to the fair presentation of the financial statements contained in the foregoing documents and to issue reports on compliance and internal control as required by the Single Audit Act Amendments of 1996.

This Management Report contains information pertinent to the financial and compliance activities of Savannah State University as of and for the year ended June 30, 2010. Information contained in this report is a by-product of our audits of the basic financial statements of the University System of Georgia and the basic financial statements of the State of Georgia and is the representation of management. Accordingly, we do not express an opinion or any other form of assurance on it. The particular information provided which includes a section on findings and other items reported in accordance with Commission on Colleges regulation 2.11.1 is enumerated in the Table of Contents.

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

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

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SELECTED FINANCIAL INFORMATION

SAVANNAH STATE UNIVERSITY
STATEMENT OF NET ASSETS - (GAAP BASIS)
JUNE 30, 2010

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 8,344,980
Short-Term Investments	408,276
Accounts Receivable, Net (Note 3)	
Federal Financial Assistance	2,204,859
Other	2,696,967
Inventories	62,318
Prepaid Items	<u>205,371</u>
Total Current Assets	<u>\$ 13,922,771</u>
Noncurrent Assets	
Noncurrent Cash	\$ 25,826
Short-Term Investments	62,044
Investments	3,641,074
Notes Receivable	804,539
Capital Assets, Net (Note 4)	<u>116,042,030</u>
Total Noncurrent Assets	<u>\$ 120,575,513</u>
Total Assets	<u>\$ 134,498,284</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 1,252,973
Salaries Payable	37,947
Deferred Revenue (Note 5)	568,650
Other Liabilities	267
Deposits Held for Other Organizations	1,270,621
Lease Purchase Obligations	461,329
Compensated Absences	<u>696,705</u>
Total Current Liabilities	<u>\$ 4,288,492</u>
Noncurrent Liabilities	
Lease Purchase Obligations	\$ 53,641,369
Compensated Absences	<u>820,168</u>
Total Noncurrent Liabilities	<u>\$ 54,461,537</u>
Total Liabilities	<u>\$ 58,750,029</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 61,939,332
Restricted for:	
Nonexpendable	3,579,321
Expendable	1,077,238
Unrestricted	<u>9,152,364</u>
Total Net Assets	<u>\$ 75,748,255</u>

SAVANNAH STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2010

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees	\$ 18,092,646
Less: Scholarship Allowances	-10,660,680
Grants and Contracts	
Federal	9,033,568
State	121,183
Other	276,292
Sales and Services of Educational Departments	210,562
Rents and Royalties	50,155
Auxiliary Enterprises	
Residence Halls	9,975,351
Bookstore	325,831
Food Services	5,515,028
Parking/Transportation	547,453
Health Services	569,464
Intercollegiate Athletics	2,731,091
Other Organizations	25,753
Other Operating Revenues	<u>106,818</u>
Total Operating Revenues	<u>\$ 36,920,515</u>

OPERATING EXPENSES

Salaries	
Faculty	\$ 10,025,487
Staff	14,880,770
Employee Benefits	7,276,903
Other Personal Services	387,421
Travel	548,630
Scholarships and Fellowships	6,174,419
Utilities	3,836,370
Supplies and Other Services	17,819,998
Depreciation	<u>5,525,067</u>
Total Operating Expenses	<u>\$ 66,475,065</u>
Operating Income (Loss)	<u>\$ -29,554,550</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$ 15,502,685
Federal Stimulus - Stabilization Funds	3,105,050
Grants and Contracts	
Federal	13,818,499
State	25,221
Gifts	1,125,052
Interest and Other Investment Income	366,553
Interest Expense	-2,352,293
Other Nonoperating Revenues/Expenses	<u>81,441</u>
Net Nonoperating Revenues	<u>\$ 31,672,208</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>\$ 2,117,658</u>
Capital Grants and Gifts	
State	<u>797,965</u>
Increase (Decrease) in Net Assets	<u>\$ 2,915,623</u>
Net Assets - Beginning of Year	<u>72,832,632</u>
Net Assets - End of Year	<u><u>\$ 75,748,255</u></u>

SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2010

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 8,027,694
Grants and Contracts	9,066,787
Sales and Services of Educational Departments	210,562
Payments to Suppliers	-29,904,312
Payments to Employees	-24,700,988
Payments for Scholarships and Fellowships	-7,184,958
Loans Issued to Students and Employees	33,306
Auxiliary Enterprise Charges:	
Residence Halls	8,363,905
Bookstore	325,831
Food Services	5,573,817
Parking/Transportation	482,484
Health Services	552,520
Intercollegiate Athletics	2,685,513
Other Organizations	25,175
Other Receipts (Payments)	<u>-669,151</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -27,111,815</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	\$ 15,502,685
Federal Stimulus - Stabilization Funds	3,105,050
Agency Funds Transactions	86,636
Gifts and Grants Received for Other than Capital Purposes	<u>14,968,771</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>\$ 33,663,142</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	\$ 364,090
Purchases of Capital Assets	-3,447,593
Interest Paid on Capital Debt and Leases	<u>-1,818,530</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -4,902,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	\$ 191,941
Interest on Investments	57,179
Purchase of Investments	<u>-170,891</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 78,229</u>
Net Increase (Decrease) in Cash	\$ 1,727,523
Cash and Cash Equivalents - Beginning of Year	<u>6,643,283</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 8,370,806</u></u>

SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2010

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ -29,554,550
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	5,525,067
Change in Assets and Liabilities:	
Accounts Receivable, Net	-1,772,718
Inventories	-10,277
Prepaid Items	-112,107
Notes Receivable	33,306
Accounts Payable	-1,175,274
Deferred Revenue	44,903
Other Liabilities	-245,960
Compensated Absences	<u>155,795</u>

Net Cash Provided (Used) by Operating Activities	\$ <u><u>-27,111,815</u></u>
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NONCASH ACTIVITY

Change in Fair Value of Investments Recognized as a Component of Interest Income	\$ <u>309,374</u>
Change in Accrued Interest Payable Affecting Interest Paid	\$ <u>-533,763</u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	\$ <u><u>-433,875</u></u>

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Savannah State University is one of thirty-five (35) 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.

NET ASSETS

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of 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 either be 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 net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent 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) of \$112,922.69. 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 Treasury and Fiscal Services. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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, 2010, the carrying value of deposits was \$8,837,839 and the bank balance was \$9,844,754. Of the University's deposits, \$9,572,688 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, \$9,414,412 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

INVESTMENTS

At June 30, 2010, the carrying value of the University's investment was \$3,641,074, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents investment pools as follows:

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2010

EXHIBIT "D"

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS

Investment Pools

Board of Regents	
Legal Fund	\$ 527,474
Total Return Fund	<u>3,113,600</u>
Total Investments	<u>\$ 3,641,074</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.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2010.

Student Tuition and Fees	\$ 956,761
Auxiliary Enterprises and Other Operating Activities	633,293
Federal, State and Private Funds	3,909,063
GSFIC	48,455
Other	<u>206,719</u>
	\$ 5,754,291
Less Allowance for Doubtful Accounts	<u>852,465</u>
Net Accounts Receivable	<u>\$ 4,901,826</u>

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2010

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in the University's capital assets for the year ended June 30, 2010:

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010
Capital Assets, Not Being Depreciated:				
Land	\$ 575,975			\$ 575,975
Construction Work-In-Progress	0	\$ 1,943,168	\$ 0	1,943,168
Total Capital Assets, Not Being Depreciated:	\$ 575,975	\$ 1,943,168	\$ 0	\$ 2,519,143
Capital Assets, Being Depreciated:				
Building and Building Improvements	\$ 88,070,016	\$ 640,110		\$ 88,710,126
Facilities and Other Improvements	2,520,259	316,394		2,836,653
Equipment	4,592,180	768,102	\$ 194,814	5,165,468
Capital Leases	53,816,031			53,816,031
Library Collections	7,304,290	213,694	10,034	7,507,950
Land Use Rights	55,285			55,285
Total Assets Being Depreciated	\$ 156,358,061	\$ 1,938,300	\$ 204,848	\$ 158,091,513
Less: Accumulated Depreciation:				
Building and Building Improvements	\$ 26,956,119	\$ 2,381,102		\$ 29,337,221
Facilities and Other Improvements	1,564,111	97,634		1,661,745
Equipment	2,218,798	580,759	\$ 76,382	2,723,175
Capital Leases	2,508,621	2,195,534		4,704,155
Library Collections	5,871,003	268,656	10,034	6,129,625
Patents, Copyrights and Trademarks	11,323	1,382		12,705
Total Accumulated Depreciation	\$ 39,129,975	\$ 5,525,067	\$ 86,416	\$ 44,568,626
Total Capital Assets, Being Depreciated, Net	\$ 117,228,086	\$ -3,586,767	\$ 118,432	\$ 113,522,887
Capital Assets, Net	\$ 117,804,061	\$ -1,643,599	\$ 118,432	\$ 116,042,030

NOTE 5: DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2010.

Other Deferred Revenue \$ 568,650

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2010

EXHIBIT "D"

NOTE 6: LONG-TERM LIABILITIES

The University's Long-Term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Current Portion
Lease					
Lease Obligations	\$ 53,568,935		\$ -533,763	\$ 54,102,698	\$ 461,329
Other Liabilities					
Compensated Absences	1,361,078	\$ 956,601	800,806	1,516,873	696,705
Total Long-Term Obligations	\$ 54,930,013	\$ 956,601	\$ 267,043	\$ 55,619,571	\$ 1,158,034

NOTE 7: NET ASSETS

Changes in Net Asset activity for the year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Invested in Capital Assets				
Net of Related Debt	\$ 64,235,126	\$ -1,643,599	\$ 652,195	\$ 61,939,332
Restricted Net Assets	4,299,338	567,849	210,628	4,656,559
Unrestricted Net Assets	4,298,168	46,680,792	41,826,596	9,152,364
Total Net Assets	\$ 72,832,632	\$ 45,605,042	\$ 42,689,419	\$ 75,748,255

NOTE 8: LEASE OBLIGATIONS

Savannah State University is obligated under various operating leases for the use of real property 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 2011 and 2033. Expenditures for fiscal year 2010 were \$3,372,029 for interest expense, of which a net of \$760,121 was funded by increasing the principal liability for the imputed interest on University Commons capital lease. Total principal paid on the University Village lease was \$226,358. Therefore, a net of \$533,763 increase was incurred on the principal balance for both leases for the fiscal year ended June 30, 2010. Interest rates range from 4.486 percent to 4.655 percent.

SAVANNAH STATE UNIVERSITY
 SELECTED FINANCIAL NOTES
 JUNE 30, 2010

EXHIBIT "D"

NOTE 8: LEASE OBLIGATIONS

CAPITAL LEASES

Savannah State University has two capital leases with SSU Foundation Real Estate Ventures, LLC, of which Savannah State University Foundation, Inc., is the sole member. In February 2008, Savannah State University entered into a capital lease of \$29,229,205 for University Village with the LLC. In August 2008, Savannah State University entered into a capital lease of \$24,586,826 for University Commons with the LLC.

OPERATING LEASES

Savannah State University's noncancellable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable 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. Examples of property under operating leases are copiers, other small business equipment, and buildings.

Noncancellable operating lease rental expenses in 2010 were \$101,260 for real property and/or equipment.

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2010, were as follows:

	Capital Leases
Year Ending June 30:	
2011	\$ 2,923,413
2012	3,010,574
2013	3,100,809
2014	3,193,833
2015	3,289,649
2016 - 2020	17,981,197
2021 - 2025	20,845,137
2026 - 2030	24,165,227
2031 - 2033	13,307,810
Total Minimum Lease Payments	\$ 91,817,649
Less: Interest	37,714,951
Principal Outstanding	\$ 54,102,698

NOTE 9: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA

Plan Description

Savannah State University participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances and other benefits for teachers of the State of Georgia. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or the Georgia Department of Audits and Accounts.

Funding Policy

Employees of Savannah State University who are covered by TRS are required by State statute to contribute 5.25% of their gross earnings to TRS. Savannah State University makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2010, the employer contribution rate was 9.74% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 1,523,853
2009	100%	\$ 1,397,171
2008	100%	\$ 1,286,574

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 is 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 a principal administrator, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

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 2010, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

NOTE 9: RETIREMENT PLANS

REGENTS RETIREMENT PLAN

Funding Policy

Savannah State University and the covered employees made the required contributions of \$656,814 (9.24%) and \$382,754 (5%), respectively.

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

GEORGIA DEFINED CONTRIBUTION PLAN

Plan Description

Savannah State University participates in the Georgia Defined Contribution Plan (GDGP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500.00 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

Contributions and Vesting

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2010 amounted to \$16,524 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

NOTE 10: 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 expenditures which are 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.

NOTE 10: CONTINGENCIES

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, 2010.

NOTE 11: 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 College 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. For the 2009 and 2010 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2010, there were 120 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2010, Savannah State University recognized as incurred \$680,063 of expenditures, which was net of \$358,908 of participant contributions.

NOTE 12: AFFILIATED ORGANIZATIONS

The Savannah State University Foundation, Inc., and the Savannah State University Student Athletic Fund are legally separate, tax exempt organizations whose activities primarily support Savannah State University. These affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements for the affiliated organizations may be obtained from Savannah State University.

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SUPPLEMENTARY INFORMATION

SAVANNAH STATE UNIVERSITY
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2010

SCHEDULE "1"

ASSETS

Cash and Cash Equivalents	\$	2,479,191.56
Investments		8,275.65
Accounts Receivable		
Federal Financial Assistance		2,204,858.51
Other		1,984,141.71
Prepaid Expenditures		97,286.47
Inventories		<u>62,318.16</u>
Total Assets	\$	<u><u>6,836,072.06</u></u>

LIABILITIES AND FUND EQUITY

Liabilities		
Accrued Payroll	\$	30,630.77
Encumbrances Payable		3,646,642.69
Accounts Payable		498,920.93
Deferred Revenue		568,650.21
Other Liabilities		<u>564.00</u>
Total Liabilities	\$	<u><u>4,745,408.60</u></u>
Fund Balances		
Reserved		
Department Sales and Services	\$	100,957.38
Indirect Cost Recoveries		640,940.37
Technology Fees		388,846.55
Restricted/Sponsored Funds		-0.11
Uncollectible Accounts Receivable		457,615.80
Tuition Carry-Over		341,708.14
Inventories		47,672.64
Unreserved		
Surplus		<u>112,922.69</u>
Total Fund Balances	\$	<u><u>2,090,663.46</u></u>
Total Liabilities and Fund Balances	\$	<u><u>6,836,072.06</u></u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

SAVANNAH STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2010

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 15,531,617.00	\$ 15,531,617.00	\$ 0.00
Federal Funds	3,105,050.00	3,105,050.00	0.00
Other Funds	43,095,570.00	42,082,459.13	-1,013,110.87
Total Revenues	\$ 61,732,237.00	\$ 60,719,126.13	\$ -1,013,110.87
<u>CARRY-OVER FROM PRIOR YEAR</u>			
Transfer from Reserved Fund Balance	0.00	894,032.68	894,032.68
Total Funds Available	\$ 61,732,237.00	\$ 61,613,158.81	\$ -119,078.19
<u>EXPENDITURES</u>			
Special Funding Initiative	\$ 317,635.00	\$ 317,635.00	\$ 0.00
Teaching	61,414,602.00	59,599,501.58	1,815,100.42
Total Expenditures	\$ 61,732,237.00	\$ 59,917,136.58	\$ 1,815,100.42
Excess of Funds Available over Expenditures	0.00	1,696,022.23	1,696,022.23
<u>FUND BALANCE JULY 1</u>			
Reserved		1,305,479.37	
Unreserved		28,931.82	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		69,270.03	
Prior Year Receivables/Revenues		-88,305.10	
Increase in Inventories		2,229.61	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2009		-28,931.82	
Prior Year Reserved Fund Balance Included in Funds Available		-894,032.68	
<u>FUND BALANCE JUNE 30</u>		\$ 2,090,663.46	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	100,957.38	
Indirect Cost Recoveries		640,940.37	
Technology Fees		388,846.55	
Restricted/Sponsored Funds		-0.11	
Uncollectible Accounts Receivable		457,615.80	
Tuition Carry-Over		341,708.14	
Inventories		47,672.64	
Total Reserved	\$	1,977,740.77	
Unreserved			
Surplus		112,922.69	
Total Fund Balance	\$	2,090,663.46	

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

SAVANNAH STATE UNIVERSITY
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES BY FUNDING SOURCE COMPARED TO BUDGET
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2010

	Original Appropriation	Final Budget	Funds Available Compared to Budget			Variance Positive (Negative)
			Current Year Revenues	Prior Year Carry-Over	Total Funds Available	
Special Funding Initiative						
State Appropriation						
State General Funds	\$ 374,317.00	\$ 317,635.00	\$ 317,635.00	\$ 0.00	\$ 317,635.00	\$ 0.00
Teaching						
State Appropriation						
State General Funds	\$ 19,259,767.00	\$ 15,213,982.00	\$ 15,213,982.00	\$ 0.00	\$ 15,213,982.00	\$ 0.00
Federal Funds						
American Recovery and Reinvestment Act of 2009						
Federal Stabilization Funds	1,028,204.00	3,105,050.00	3,105,050.00	0.00	3,105,050.00	0.00
Other Funds	28,103,866.00	43,095,570.00	42,082,459.13	894,032.68	42,976,491.81	-119,078.19
Total Teaching	\$ 48,391,837.00	\$ 61,414,602.00	\$ 60,401,491.13	\$ 894,032.68	\$ 61,295,523.81	\$ -119,078.19
Grand Totals - All Programs	\$ 48,766,154.00	\$ 61,732,237.00	\$ 60,719,126.13	\$ 894,032.68	\$ 61,613,158.81	\$ -119,078.19

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

<u>Expenditures Compared to Budget</u>		<u>Actual Funds Available Over/(Under) Expenditures</u>	<u>Prior Period Adjustments</u>	<u>Other Adjustments</u>	<u>Early Remittance of Surplus</u>	<u>Program Fund Balances</u>	<u>Transfers</u>	<u>Program Fund Balances</u>		<u>Total Fund Balance</u>
<u>Actual</u>	<u>Variance Positive (Negative)</u>							<u>Reserve</u>	<u>Surplus</u>	
\$ 317,635.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 15,185,050.18	\$ 28,931.82	\$ 28,931.82	\$ -19,035.07	\$ 0.00	\$ 0.00	\$ 9,896.75	\$ 0.00	\$ 0.00	\$ 9,896.75	\$ 9,896.75
3,105,050.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>41,309,401.40</u>	<u>1,786,168.60</u>	<u>1,667,090.41</u>	<u>0.00</u>	<u>-91,612.14</u>	<u>0.00</u>	<u>1,575,478.27</u>	<u>0.00</u>	<u>1,472,452.33</u>	<u>103,025.94</u>	<u>1,575,478.27</u>
\$ <u>59,599,501.58</u>	\$ <u>1,815,100.42</u>	\$ <u>1,696,022.23</u>	\$ <u>-19,035.07</u>	\$ <u>-91,612.14</u>	\$ <u>0.00</u>	\$ <u>1,585,375.02</u>	\$ <u>0.00</u>	\$ <u>1,472,452.33</u>	\$ <u>112,922.69</u>	\$ <u>1,585,375.02</u>
\$ <u>59,917,136.58</u>	\$ <u>1,815,100.42</u>	\$ <u>1,696,022.23</u>	\$ <u>-19,035.07</u>	\$ <u>-91,612.14</u>	\$ <u>0.00</u>	\$ <u>1,585,375.02</u>	\$ <u>0.00</u>	\$ <u>1,472,452.33</u>	\$ <u>112,922.69</u>	\$ <u>1,585,375.02</u>

Unexpendable Reserves		
Uncollectible Accounts Receivable		457,615.60
Inventories		47,672.64
Total Fund Balance		\$ 2,090,663.46

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SAVANNAH STATE UNIVERSITY
 RECONCILIATION OF SALARIES AND TRAVEL
 YEAR ENDED JUNE 30, 2010

SCHEDULE "4"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 24,938,648	\$ 548,630
Accruals		
June 30, 2010	37,947	
June 30, 2009	-207,861	
Compensated Absences		
June 30, 2010	1,409,079	
June 30, 2009	-1,264,355	
Agency Funds	-850	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Armstrong Atlantic State University		
Yount, Lisa	-2,500	
Georgia College and State University		
Hales, Kevin	-3,000	
Unidentified Variance	-851	
	\$ 24,906,257	\$ 548,630

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SAVANNAH STATE UNIVERSITY
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-548-08-02	Further Action Not Warranted
FS-548-08-03	Partially Resolved - See Corrective Action/Responses
FS-548-09-01	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CAPITAL ASSETS

Inadequate Capital Asset Records
Finding Control Number: FS-548-08-03

Savannah State University is working with the Board of Regents Information Technology Services to resolve this matter.

REVENUES/RECEIVABLES/RECEIPTS

Inadequate Control Procedures for Collection of Tuition and Fees
Finding Control Number: FS-548-09-01

Savannah State University has taken steps to reduce, and eventually eliminate, the number and percentage of students having a balance that has not been guaranteed by Financial Aid or some other source. Additionally, the University has taken steps to strengthen the registration clearance process. The University is confident that these steps taken together will resolve these issues.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-548-08-01	Further Action Not Warranted
FA-548-09-01	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

SPECIAL TESTS AND PROVISIONS

Deficiencies in Student Financial Aid Refund Process
Student Financial Aid Cluster Program
Finding Control Number: FA-548-09-01

Although the University implemented a corrective action during fiscal year 2009, that corrective action plan must be updated and adjusted based on the current year findings. Additionally, with the significant increase in the student population over the past few years and the related increase in financial aid the University plans to contract for services to aid personnel in this office. Therefore, it is anticipated that the revised corrective action plan along with the addition of contracted services will be reflected in fiscal year 2011 operations.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS

Inadequate Control Procedures for Collection of Tuition and Fees

Significant Deficiency

Finding Control Number: FS-548-10-01

Condition: Internal control procedures were insufficient to provide for adequate collection of tuition and fees. This deficiency was previously reported in findings FS-548-09-01 and FS-548-08-02 from fiscal years ended June 30, 2009 and June 30, 2008, respectively.

Criteria: The Board of Regents Policy Manual Section 704.03 states "All tuition and fees are due and payable upon registration. Exceptions to the time of payment are as follows:

1. An institution may defer tuition and fees up to the amount authorized for a specific academic term for students whose fees are guaranteed and will be paid by an outside agency under a document agreement with the institution.
2. An institution may defer tuition and fees up to the amount of the aid granted for a specified academic term for students who have an institution administered loan or scholarship in process.
3. An institution may defer tuition and fees up to the limit stated in the certificate or other document for a specified academic term for foreign students who have a certificate or other acceptable documented evidence that payment will be made after a statement of charges from the student has been present for payment".

Questioned Cost: N/A

Information: A test of students accounts receivables under one year old revealed two instances in which Savannah State University did not comply with the Board of Regents Policy Manual for collecting tuition and fees. It was determined that out of the \$12,082 accounts receivable tested, \$3,653 were not supported by approved student financial aid.

Cause: University's management failed to implement adequate policies and procedures to ensure that only students with approved financial aid would receive tuition and fee deferrals in accordance with the Board of Regents' policies.

Effect: By allowing students to enroll and remain in school without approved financial aid, the University has incurred student accounts receivable which were not in accordance with Board of Regents policy. In addition, the University continued to establish accounts receivable that are not likely to be collected.

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS

Inadequate Control Procedures for Collection of Tuition and Fees

Significant Deficiency

Finding Control Number: FS-548-10-01

Recommendation: The University should follow billing and collection guidelines as set forth in the Board of Regents' Business Procedures Manual. Furthermore, no student should be granted a deferment without having approved financial aid.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SPECIAL TESTS AND PROVISIONS

Deficiencies in Student Financial Aid Refund Process

Significant Deficiency

Student Financial Aid Cluster Program

Finding Control Number: FA-548-10-01

Condition: The Student Financial Aid office failed to properly perform the refund process and to ensure that unearned Title IV funds were returned in a timely manner. This deficiency was previously reported in finding FA-548-09-01 and FA-548-08-01 from fiscal years ended June 30, 2009, and June 30, 2008, respectively.

Criteria: Provisions included in 34 CFR 668 provide general requirements for administering Student Financial Aid (SFA) programs. Provisions included in 34 CFR 685 provide eligibility and other related program requirements that are specific to William D. Ford Direct Student Loan Program.

Questioned Cost: N/A

Information: Fifteen students that received Federal financial aid and officially withdrew from the University were randomly selected to determine if refunds were calculated and returned in the correct amount to the proper funding agency and/or student. Our examination revealed the following deficiencies:

1. For one student unearned Title IV funds were not applied by the University to the appropriate student financial aid programs within 30 days as required by the Higher Education Amendments of 1998, Public Law 105-244.
2. In one instance, the University failed to accurately calculate the percentage of earned and unearned Federal financial aid funds after receiving notification of the student's official withdrawal. This resulted in an invalid student accounts receivable in the amount of \$405.

Cause: These deficiencies were the result of management's failure to properly process student financial aid refunds in accordance with Federal regulations.

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SPECIAL TESTS AND PROVISIONS

Deficiencies in Student Financial Aid Refund Process

Significant Deficiency

Student Financial Aid Cluster Program

Finding Control Number: FA-548-10-01

Effect: The SFA Office failed to accurately calculate funds earned and unearned funds were not returned in a timely manner.

Recommendation: The University should develop and implement procedures to ensure that student financial aid refunds are properly calculated and unearned funds are correctly returned to the appropriate accounts in a timely manner in accordance with the Higher Education Amendments of 1998, Public Law 105-244. The University should contact the U. S. Department of Education regarding resolution of this finding.

SPECIAL TESTS AND PROVISIONS

Deficiencies over the Verification Process

Significant Deficiency

Finding Control Number: FA-548-10-02

Condition: The Student Financial Aid Office failed to meet student verification and documentation requirements.

Criteria: Provisions included in 34 CFR 668 indicate the compliance requirements for the verification process that the University should follow for students who receive financial aid and identifies the acceptable documentation that the University should maintain.

Questioned Cost: N/A

Information: Our examination of the verification procedures revealed no evidence to support the verification process was completed for three students who were selected for verification.

Cause: The Student Financial Aid Office failed to comply with the requirements for verification in accordance with Federal regulations.

Effect: The SFA Office did not properly verify the information for students selected for verification and has placed the University in a position where students may be improperly awarded student financial aid.

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SPECIAL TESTS AND PROVISIONS

Deficiencies over the Verification Process

Significant Deficiency

Finding Control Number: FA-548-10-02

Recommendation: The Student Financial Aid Office should develop and implement policies and procedures to ensure that verification procedures are completed as required and adequate documentation is maintained. The University should contact the U. S. Department of Education regarding resolution of this finding.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

No matters were reported.