



SAVANNAH STATE UNIVERSITY SAVANNAH, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2014

A Member Institution of the
University System of Georgia



**Georgia Department of
Audits and Accounts**

Greg S. Griffin
State Auditor

SAVANNAH STATE UNIVERSITY

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
LETTER OF TRANSMITTAL	
SELECTED FINANCIAL INFORMATION	
EXHIBITS	
A STATEMENT OF NET POSITION - (GAAP BASIS)	2
B STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)	3
C STATEMENT OF CASH FLOWS - (GAAP BASIS)	5
D SELECTED FINANCIAL NOTES	6
SUPPLEMENTARY INFORMATION	
SCHEDULES	
1 BALANCE SHEET - (STATUTORY BASIS) BUDGET FUND	20
2 SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS) BUDGET FUND	21
3 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE (STATUTORY BASIS) BUDGET FUND	22
4 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE (STATUTORY BASIS) BUDGET FUND	24
5 RECONCILIATION OF BUDGET TO GAAP	26
6 RECONCILIATION OF SALARIES AND TRAVEL	27
SECTION II	
FINDINGS, QUESTIONED COSTS AND OTHER ITEMS	
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS	

SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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February 5, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Honorable Cheryl Dozier, 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, 2014, 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, 2014. 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,

Greg S. Griffin
State Auditor

GSG:as

SELECTED FINANCIAL INFORMATION

SAVANNAH STATE UNIVERSITY
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2014

EXHIBIT "A"

<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$	9,442,601
Short-Term Investments		408,276
Accounts Receivable, Net (Note 3)		
Federal Financial Assistance		1,546,917
Other		2,568,251
Inventories		44,785
Prepaid Items		376,508
		<hr/>
Total Current Assets		14,387,338
Noncurrent Assets		
Noncurrent Cash		40,009
Short-Term Investments		21,863
Investments (Externally Restricted)		6,055,395
Due from USO - Capital Liability Reserve Fund		844,039
Notes Receivable, Net		900,118
Capital Assets, Net (Note 4)		153,148,227
		<hr/>
Total Noncurrent Assets		161,009,651
		<hr/>
Total Assets		175,396,989
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable		1,548,336
Salaries Payable		110,353
Advances (including Tuition and Fees) (Note 5)		1,533,787
Other Liabilities		1,300
Deposits Held for Other Organizations		1,566,460
Lease Purchase Obligations		1,826,596
Compensated Absences		767,610
		<hr/>
Total Current Liabilities		7,354,442
Noncurrent Liabilities		
Lease Purchase Obligations		106,047,893
Compensated Absences		1,047,855
		<hr/>
Total Noncurrent Liabilities		107,095,748
		<hr/>
Total Liabilities		114,450,190
 <u>NET POSITION</u>		
Net Investment in Capital Assets		45,273,738
Restricted for:		
Nonexpendable		5,902,322
Expendable		1,202,737
Unrestricted		8,568,002
		<hr/>
Total Net Position	\$	<u>60,946,799</u>

SAVANNAH STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2014

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	\$	28,724,374
Less: Scholarship Allowances		-16,018,513
Grants and Contracts		
Federal		8,853,208
Federal Stimulus		113,618
State		160,245
Other		365,491
Sales and Services		630,187
Rents and Royalties		65,330
Auxiliary Enterprises		
Residence Halls		14,316,102
Bookstore		238,678
Food Services		10,622,130
Parking/Transportation		824,777
Health Services		662,794
Intercollegiate Athletics		4,570,746
Other Organizations		35,148
Other Operating Revenues		148,080
		54,312,395
Total Operating Revenues		

OPERATING EXPENSES

Salaries		
Faculty		13,346,504
Staff		18,959,967
Employee Benefits		10,224,598
Other Personal Services		384,266
Travel		1,177,327
Scholarships and Fellowships		6,274,498
Utilities		3,507,414
Supplies and Other Services		28,637,727
Depreciation		7,060,300
		89,572,601
Total Operating Expenses		
Operating Loss		-35,260,206

NONOPERATING REVENUES (EXPENSES)

State Appropriations		18,655,084
Grants and Contracts		
Federal		17,492,256
Gifts		1,095,812
Investment Income (Endowments, Auxiliary and Other)		808,387
Interest Expense (Capital Assets)		-5,645,714
Other Nonoperating Revenues		117,244
		32,523,069
Net Nonoperating Revenues		
Decrease in Net Position		-2,737,137
Net Position - Beginning of Year		63,683,936
Net Position - End of Year	\$	60,946,799

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SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2014

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 12,889,165
Grants and Contracts (Exchange)	9,355,656
Sales and Services	630,187
Payments to Suppliers	-43,918,313
Payments to Employees	-32,102,350
Payments for Scholarships and Fellowships	-6,274,498
Loans issued to Students and Employees	-14,614
Auxiliary Enterprise Charges:	
Residence Halls	13,786,421
Bookstore	237,939
Food Services	10,595,285
Parking/Transportation	846,292
Health Services	652,605
Intercollegiate Athletics	4,601,210
Other Organizations	33,362
Other Receipts, Net	<u>360,884</u>
Net Cash Used by Operating Activities	<u>-28,320,769</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	18,655,084
Agency Funds Transactions	404,882
Gifts and Grants Received for Other than Capital Purposes	<u>18,588,068</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>37,648,034</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	2,436,555
Principal Paid on Capital Debt and Leases	1,613,321
Interest Paid on Capital Debt and Leases	<u>5,645,714</u>
Net Cash Used by Capital and Related Financing Activities	<u>9,695,590</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	547,263
Purchase of Investments	<u>-547,884</u>
Net Cash Used by Investing Activities	<u>621</u>
Net Decrease in Cash	-368,946
Cash and Cash Equivalents - Beginning of Year	<u>9,851,556</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,482,610</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ -35,260,206
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	7,060,300
Change in Assets and Liabilities:	
Receivables, Net	-1,642,245
Inventories	4,268
Prepaid Items	95,474
Notes Receivable, Net	-14,358
Accounts Payable	156,972
Advances (including Tuition and Fees)	550,322
Other Liabilities	557,301
Compensated Absences	<u>171,403</u>
Net Cash Used by Operating Activities	<u>\$ -28,320,769</u>
NONCASH ACTIVITY	
Change in Fair Value of Investments Recognized as a Component of Interest Income	<u>\$ 261,123</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Savannah State University (University) is one of thirty-one (31) 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.

FINANCIAL STATEMENT PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflow of resources, liabilities, deferred inflows of resources, 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 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections - 2012, an amendment to GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance by amending GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 10 was amended by removing the provision that limited fund based reporting of an entity's risk and financing activities to certain funds. GASB Statement No. 62 was amended by modifying guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or a group of loans, and (3) recognition of servicing fees on mortgage loans that are sold when the stated service fee rate differs from a current (normal) servicing fee rate.

In fiscal year 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and reporting requirements for state and local governments that extend or receive financial guarantees that are nonexchange transactions.

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

Future Accounting Pronouncements

In fiscal year 2015, the University will adopt 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 will require the University to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the University's liability, the effects of which are believed to be material.

NET POSITION

The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital assets, net of outstanding debt obligations, deferred outflows of resources and deferred inflows of resources (if applicable) related to those capital assets. To the extent debt has been incurred or deferred inflows of resources have been received but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

Restricted - nonexpendable: Nonexpendable restricted net position consists 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 - expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus) of \$9,036.84. 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 State Treasurer. 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.

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

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, 2014, the carrying value of deposits was \$9,911,509 and the bank balance was \$11,099,878. Of the University's deposits, \$10,076,475 were uninsured. Of these uninsured deposits, \$158,275 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$9,918,200 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, 2014, the carrying value of the University's investments was \$6,055,395, 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:

Investment Pools		
Board of Regents		
Legal Fund	\$	834,853
Total Return Fund		5,220,542
Total Investment Pools	\$	6,055,395

Board of Regents Investment Pools are not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pools do 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 Board of Regents Investment Pools is voluntary.

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014.

Student Tuition and Fees	\$	1,737,839
Auxiliary Enterprises and Other Operating Activities		1,003,553
Federal Financial Assistance		1,546,917
Other		924,505
		5,212,814
Less Allowance for Doubtful Accounts		1,097,646
Net Accounts Receivable	\$	4,115,168

NOTE 4: CAPITAL ASSETS

Following are the changes in the University's capital assets for the year ended June 30, 2014:

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 975,219			\$ 975,219
Construction Work-In-Progress	0	\$ 1,495,395	\$ 874,837	620,558
Total Capital Assets, Not Being Depreciated	975,219	1,495,395	874,837	1,595,777
Capital Assets, Being Depreciated:				
Building and Building Improvements	88,197,496	655,290	18,650	88,834,136
Facilities and Other Improvements	4,216,653	219,547		4,436,200
Equipment	7,773,811	1,143,475	132,797	8,784,489
Capital Leases	110,333,789			110,333,789
Library Collections	8,073,176	184,348	11,648	8,245,876
Capitalized Collections	55,285			55,285
Total Assets Being Depreciated	218,650,210	2,202,660	163,095	220,689,775
Less: Accumulated Depreciation:				
Building and Building Improvements	34,782,987	2,140,078	18,650	36,904,415
Facilities and Other Improvements	2,024,513	143,913		2,168,426
Equipment	4,316,583	764,482	-136,365	5,217,430
Capital Leases	14,048,313	3,777,719		17,826,032
Library Collections	6,781,711	232,726	11,648	7,002,789
Capitalized Collections	16,851	1,382		18,233
Total Accumulated Depreciation	61,970,958	7,060,300	-106,067	69,137,325
Total Capital Assets, Being Depreciated, Net	156,679,252	-4,857,640	269,162	151,552,450
Capital Assets, Net	\$ 157,654,471	\$ -3,362,245	\$ 1,143,999	\$ 153,148,227

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

NOTE 5: Advances

Advances consisted of the following at June 30, 2014.

Prepaid Tuition and Fees	\$	326,027
Other - Advances		1,207,760
Total Advances	\$	1,533,787

NOTE 6: LONG-TERM LIABILITIES

The University's Long-Term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Leases					
Lease Obligations	\$ 109,487,810		\$ 1,613,321	\$ 107,874,489	\$ 1,826,596
Other Liabilities					
Compensated Absences	1,644,062	\$ 1,208,772	1,037,369	1,815,465	767,610
Total Long-Term Obligations	\$ 111,131,872	\$ 1,208,772	\$ 2,650,690	\$ 109,689,954	\$ 2,594,206

NOTE 7: NET POSITION

Changes in Net Position for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Net Investments in Capital Assets	\$ 48,166,663	\$ 4,436,539	\$ 7,329,464	\$ 45,273,738
Restricted Net Position	6,286,663	27,803,679	26,985,283	7,105,059
Unrestricted Net Position	9,230,610	53,386,071	54,048,679	8,568,002
Total Net Position	\$ 63,683,936	\$ 85,626,289	\$ 88,363,426	\$ 60,946,799

NOTE 8: 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 and equipment.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2014 and 2041. Expenses for fiscal year 2014 were \$7.259 million of which \$5.646 million represented interest. Total principal paid on capital leases was \$1,613,321 for the fiscal year ended June 30, 2014. Interest rates range from 4.486 percent to 6.262 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2014:

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

Description	Gross Amount	Accumulated	Net Assets Held	Outstanding
	(+)	Depreciation	Under Capital Lease at June 30, 2014	Balances per Lease Schedules at June 30, 2014
Buildings	\$ 110,333,789	\$ 17,826,032	\$ 92,507,757	\$ 107,874,489

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.

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.

The University leases a 660-bed housing facility, University Village, at an interest rate of 4.486 percent for a twenty-five-year period that began February 2008 and expires June 2032, with payments due the 15th of the month each February, May, August, and November. The 13.768 acres of land on which these buildings are located is owned by the Board of Regents, and was leased to the LLC for \$10 per year, payable in advance upon commencement of the ground lease. The outstanding liability at June 30, 2014 on this capital lease is \$27,243,481.

The University leases a 742-bed housing facility, University Commons, at an interest rate of 4.655 percent for a twenty-five-year period that began August 2009 and expires June 2033, with payments due the 15th of the month each February, May, August and November. The 0.275 acre of land on which these buildings are located (previously known as 4750 LaRoche Avenue) is part of the capital lease agreement. The outstanding liability at June 30, 2014 on this capital lease is \$24,320,744.

Savannah State University, through the Savannah State University Foundation, established SSU Community Development I, LLC, hereafter referred to as LLC-I, a Georgia limited liability company, in fiscal year 2010 for the purposes of borrowing \$36.475 million through a Savannah Economic Development Authority Revenue Bond, Series 2010. Proceeds of the Series 2010 Bonds will be used by LLC-I to finance in whole or in part the cost of (i) the purchase of land and its development for a sports and intramural complex to be conveyed for use by the University as athletic fields, (ii) the construction and furnishing of three new buildings and the renovation of an existing building, to be used as student housing facilities containing 683-beds and related amenities, (iii) the demolition of an existing building to create a site for one of the new student housing buildings, and (iv) renovations and improvements to existing buildings (collectively, the "Project") located on the campus of Savannah State. The land on which these buildings are located is owned by the Board of Regents, and was leased to the LLC-I for \$10 per year, payable in advance upon commencement of the ground lease. In July 2011, Savannah State University entered three capital leases with LLC-I for Tiger Point, Tiger Place, and Camilla Hubert housing facilities in the amounts of \$6,160,184, \$8,182,797, and \$4,821,572, respectively. The land on which these buildings are located is owned by the Board of Regents, and was leased to the LLC for \$10 per year, payable in advance upon commencement of the ground lease.

The University leases a 106-bed housing facility, Tiger Point, with LLC-I at an interest rate of 4.763 percent for a thirty-year period that began July 2011 and expires June 2041, with payments due on the 1st of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$6,127,404. The University leases a 173-bed housing facility, Tiger Place, with

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

LLC-I at an interest rate of 4.763 percent for a thirty-year period that began July 2011 and expires June 2041, with payments due on the 1st of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$8,131,909.

The University leases a 77-bed building that was restored as a housing facility, Camilla Hubert Hall, with LLC-I at an interest rate of 4.763 percent for a thirty-year period that began July 2011 and expires June 2041, with payments due on the 1st of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$4,797,036.

During fiscal year 2012 Adams Hall and Morgan Hall, nonresidential buildings, were renovated and the aforementioned Sports Complex was completed at a cost of \$6,706,586. The capital lease on these assets, however, did not begin until August, 2012, when the University took possession of a new 325-bed residential facility called Tiger Court. Tiger Court was not completed early fiscal year 2013 and the University took possession at that time. Since the renovated assets and the Sports Complex were received in 2012 they were recognized within the financial statements as a long term note payable rather than as a capital lease. This note payable to the Foundation was replaced by the lease when it was booked in fiscal year 2013.

The renovation of Adams Hall and Morgan Hall was included in the University's lease for Tiger Court. Tiger Court is a 327-bed housing facility leased with LLC-I at an interest rate of 5.847 percent for a thirty-year period that began December 2012 and expires June 2041, with payments due on the 1st of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$15,495,294.

The University leases a Sports and Intramural Complex with LLC-I at an interest rate of 6.262 percent for a thirty-year period that began December 2012 and expires June 2041, with payments due on the 1st of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$4,268,967. The Georgia Higher Education Facilities Authority (GHEFA) issued \$94,210 million in revenue bonds associate with the USG Real Estate Foundation III, LLC, hereafter referred to as USGREF LLC, project. A portion of the proceeds of the Series 2010 Bonds were used to finance the acquisition, construction, and equipping of facilities in connection with the renovation of the existing University stadium and related improvements located on an approximately 1.373 acre site, including new bleachers with approximately 8,000 seats, restrooms, concessions, ticketing, locker room and elevators. A portion of the proceeds of the Series 2010 Bonds were used to finance the acquisition, construction, and equipping of an approximately 47,239 square foot student center located on approximately 0.746 acre site, including indoor and outdoor lounge spaces, food court, convenience store, meeting spaces, ballroom with stage, and other student and staff support spaces. The land on which these buildings are located is owned by the Board of Regents, and was leased for \$10 per year, payable in advance upon commencement of the ground lease.

The University leases the 47,239 square foot student center and the 8,000-seat stadium with the USGREF LLC at an interest rate of 5.234 percent for a thirty-year period that began July 2011 and expires June 2041, with payments due on the 15th of the month each June and December. The outstanding liability at June 30, 2014 on this capital lease is \$17,489,654.

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.

SAVANNAH STATE UNIVERSITY
 SELECTED FINANCIAL NOTES
 JUNE 30, 2014

EXHIBIT "D"

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Position includes other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2014, were as follows:

	Capital Leases
Year Ending June 30:	
2015	\$ 7,140,475
2016	7,272,359
2017	7,408,858
2018	7,527,075
2019	7,639,697
2020 - 2024	39,965,962
2024 - 2029	43,273,243
2030 - 2034	38,336,482
2035 - 2039	19,989,335
2040 - 2041	7,424,422
Total Minimum Lease Payments	185,977,908
Less: Interest	78,103,419
Principal Outstanding	\$ 107,874,489

Savannah State University fiscal year 2014 expense for rental of real property and equipment under operating leases was \$215,141.

NOTE 9: RETIREMENT PLANS

Savannah State University participates in the Teachers Retirement System of Georgia. This system issues a separate publicly available financial report that includes the applicable financial statements and required supplementary information. This report may be obtained from the system office. 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

The Teachers Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014 were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

The following table summarizes the Savannah State University's contributions by defined benefit plan for the years ending June 30, 2014, June 30, 2013, and June 30, 2012:

Fiscal Year	TRS	
	Required Contribution	Percentage Contributed
2014	\$ 2,227,791	100%
2013	\$ 2,035,584	100%
2012	\$ 1,759,365	100%

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 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

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

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 2014, 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 \$809,692 (9.24%) and \$525,456 (6%), 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 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

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 2014 amounted to \$50,856 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: RISK MANAGEMENT

The University System of Georgia offers its employees and retirees access to four different self-insured healthcare plan options. For the University System of Georgia's Plan Year 2014, the following health care options were available:

- Blue Choice HMO plan
- (Blue Cross Blue Shield) HSA Open Access POS plan
- (Blue Cross Blue Shield) Open Access POS plan
- Kaiser Permanente HMO plan

Savannah State University and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare 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 these plans. 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, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. 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.

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. 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 11: CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although University expects such amounts, if any, to be immaterial to its overall financial positions.

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

SAVANNAH STATE UNIVERSITY
SELECTED FINANCIAL NOTES
JUNE 30, 2014

EXHIBIT "D"

pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

NOTE 12: 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. For the 2014 plan year, 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, 2014, there were 239 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2014, Savannah State University recognized as incurred \$909,800 of expenditures, which was net of \$448,423 of participant contributions.

NOTE 13: AFFILIATED ORGANIZATIONS

The Savannah State University Foundation, Savannah State University Real Estate Foundation, Savannah State University Research Foundation, and Peachtree State Athletic Foundation 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. 61, *The Financial Reporting Entity: Omnibus* - an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of the 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, 2014

SCHEDULE "1"

<u>ASSETS</u>		
Cash and Cash Equivalents		\$ 1,447,785.26
Investments		8,275.65
Accounts Receivable		
Federal Financial Assistance		1,546,917.33
Other		2,936,731.85
Prepaid Expenditures		105,279.06
Inventories		<u>44,785.14</u>
Total Assets		<u>\$ 6,089,774.29</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Accrued Payroll		\$ 84,271.24
Encumbrances Payable		1,905,776.07
Accounts Payable		192,640.70
Advances (including Tuition and Fees)		1,521,007.04
Other Liabilities		<u>4,960.72</u>
Total Liabilities		<u>3,708,655.77</u>
Fund Balances		
Reserved		
Department Sales and Services		231,170.56
Indirect Cost Recoveries		719,368.09
Technology Fees		560,245.57
Uncollectible Accounts Receivable		739,523.60
Tuition Carry-Over		66,204.86
Inventories		55,569.00
Unreserved		
Surplus		<u>9,036.84</u>
Total Fund Balances		<u>2,381,118.52</u>
Total Liabilities and Fund Balances		<u>\$ 6,089,774.29</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 special purpose framework.

SAVANNAH STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2014

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	\$ 18,671,267.00	\$ 18,671,267.00	\$ 0.00
Other Funds	54,546,323.00	53,809,677.72	-736,645.28
Total Revenues	73,217,590.00	72,480,944.72	-736,645.28
ADJUSTMENTS AND PROGRAM TRANSFERS			
	0.00	0.00	0.00
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	0.00	1,907,088.43	1,907,088.43
Total Funds Available	73,217,590.00	74,388,033.15	1,170,443.15
EXPENDITURES			
Teaching	73,217,590.00	72,539,409.34	678,180.66
Excess of Funds Available over Expenditures	\$ 0.00	1,848,623.81	\$ 1,848,623.81
FUND BALANCE JULY 1			
Reserved		2,511,981.74	
Unreserved		16,183.35	
ADJUSTMENTS			
Prior Year Receivables/Revenues		-72,398.60	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2013		-16,183.35	
Prior Year Reserved Fund Balance Included in Funds Available		-1,907,088.43	
FUND BALANCE JUNE 30		<u>\$ 2,381,118.52</u>	
SUMMARY OF FUND BALANCE			
Reserved			
Department Sales and Services		\$ 231,170.56	
Indirect Cost Recoveries		719,368.09	
Technology Fees		560,245.57	
Uncollectible Accounts Receivable		739,523.60	
Tuition Carry-Over		66,204.86	
Inventories		55,569.00	
Total Reserved		2,372,081.68	
Unreserved Surplus		<u>9,036.84</u>	
Total Fund Balance		<u>\$ 2,381,118.52</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 special purpose framework.

SAVANNAH STATE UNIVERSITY
 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
 (STATUTORY BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2014

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Teaching				
State Appropriation				
State General Funds	\$ 18,671,267.00	\$ 18,671,267.00	\$ 18,671,267.00	\$ 18,671,267.00
Other Funds	57,490,111.00	54,080,243.00	54,546,323.00	53,809,677.72
	<u>76,161,378.00</u>	<u>72,751,510.00</u>	<u>73,217,590.00</u>	<u>72,480,944.72</u>
Total Teaching	<u>\$ 76,161,378.00</u>	<u>\$ 72,751,510.00</u>	<u>\$ 73,217,590.00</u>	<u>\$ 72,480,944.72</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 special purpose framework.

SCHEDULE '3'

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
\$ 0.00	\$ 20,703.37	\$ 18,691,970.37	\$ 20,703.37	\$ 18,671,267.00	\$ 0.00	\$ 20,703.37
<u>1,907,088.43</u>	<u>-20,703.37</u>	<u>55,696,062.78</u>	<u>1,149,739.78</u>	<u>53,868,142.34</u>	<u>678,180.66</u>	<u>1,827,920.44</u>
\$ <u>1,907,088.43</u>	\$ <u>0.00</u>	\$ <u>74,388,033.15</u>	\$ <u>1,170,443.15</u>	\$ <u>72,539,409.34</u>	\$ <u>678,180.66</u>	\$ <u>1,848,623.81</u>

SAVANNAH STATE UNIVERSITY
 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
 (STATUTORY BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2014

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 1,540.24	\$ 0.00	\$ 1,540.24	\$ -4,005.75
Other Funds	1,921,731.54	-1,907,088.43	-14,643.11	-68,392.85
Total Teaching	1,923,271.78	-1,907,088.43	-16,183.35	-72,398.60
Prior Year Reserves				
Not Available for Expenditure				
Inventories	42,181.13	0.00	0.00	0.00
Uncollectible Accounts Receivable	562,712.18	0.00	0.00	0.00
Budget Unit Totals	\$ 2,528,165.09	\$ -1,907,088.43	\$ -16,183.35	\$ 72,398.60

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 special purpose framework.

Other Adjustments	Early Return Fiscal Year 2014 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ -13,387.87	\$ 0.00	\$ 20,703.37	\$ 3,309.75	\$ 0.00	\$ 3,309.75	\$ 3,309.75
<u>-176,811.42</u>	<u>0.00</u>	<u>1,827,920.44</u>	<u>1,582,716.17</u>	<u>1,576,989.08</u>	<u>5,727.09</u>	<u>1,582,716.17</u>
-190,199.29	0.00	1,848,623.81	1,586,025.92	1,576,989.08	9,036.84	1,586,025.92
13,387.87	0.00	0.00	55,569.00	55,569.00	0.00	55,569.00
<u>176,811.42</u>	<u>0.00</u>	<u>0.00</u>	<u>739,523.60</u>	<u>739,523.60</u>	<u>0.00</u>	<u>739,523.60</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,848,623.81</u>	<u>\$ 2,381,118.52</u>	<u>\$ 2,372,081.68</u>	<u>\$ 9,036.84</u>	<u>\$ 2,381,118.52</u>

Summary of Ending Fund Balance

Reserved		
Department Sales and Services	\$ 231,170.56	\$ 231,170.56
Indirect Cost Recoveries	719,368.09	719,368.09
Technology Fees	560,245.57	560,245.57
Uncollectible Accounts Receivable	739,523.60	739,523.60
Tuition Carry-Over	66,204.86	66,204.86
Inventories	55,569.00	55,569.00
Unreserved Surplus	\$ 9,036.84	\$ 9,036.84
Total Ending Fund Balance - June 30	<u>\$ 2,372,081.68</u>	<u>\$ 2,381,118.52</u>

SAVANNAH STATE UNIVERSITY
RECONCILIATION OF BUDGET TO GAAP
YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

Presented below is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Position of business-type activities, as reported on Exhibit A.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1") \$ 2,381,118.52

Amounts reported for Business-Type Activities in the Statement of Net Position are different because:

Capital Assets used in Business-Type Activities are not reported in the Budget Fund. 153,148,227.36

Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Position. 739,523.60

Certain obligations are reported as accounts payable on the Statement of Net Position but are not recognized as expenditures in the Budget Fund. -10,000.00

Agency Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 2,651,650.33	
Liabilities	2,651,650.33	
Total Net Effect of Agency Fund Activity		0.00

Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 7,584,103.38	
Liabilities	203,638.74	
Total Net Effect of Auxiliary Enterprises Fund Activity		7,380,464.64

Endowment Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 6,117,267.34	
Liabilities	0.00	
Total Net Effect of Endowment Fund Activity		6,117,267.34

Loan Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 987,792.00	
Liabilities	0.00	
Total Net Effect of Loan Fund Activity		987,792.00

Student Activities Fund activities are not reported as a component of the Budget Fund.

Assets	\$ 129,987.11	
Liabilities	-92,067.13	
Total Net Effect of Student Activity Fund Activity		37,919.98

The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Position.

Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting. \$ 1,905,776.07

Georgia State Financing and Investment activity reported as revenue in the Budget Fund to cover encumbrances reported as expenditures are eliminated for GAAP reporting. -572,289.48

1,333,486.59

Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund.

Capital Leases Payable	\$ -107,874,488.50	
Compensated Absences Payable	-1,815,465.33	
Total Liabilities		-109,689,953.83

Net Position of Business-Type Activities (Exhibit "A") \$ 60,946,799.00

The supplementary information presented on Schedules 1, 2, 3 and 4 was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles. Presented on this schedule is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Position of business-type activities, as reported on Exhibit A.

SAVANNAH STATE UNIVERSITY
 RECONCILIATION OF SALARIES AND TRAVEL
 YEAR ENDED JUNE 30, 2014

SCHEDULE "6"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 32,084,042	\$ 1,177,327
Accruals		
June 30, 2014	110,353	
June 30, 2013	-80,469	
Compensated Absences		
June 30, 2014	1,686,452	
June 30, 2013	-1,527,230	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Armstrong Atlantic State University		
Jernigan, Cristin	-3,300	
Mukhtar, Mohamed	-150	
Samuel, Linda	-12,500	
Strauser, Edward	797	
Dalton State College		
Mesco, Eugene	1,615	
East Georgia State College		
Vincent, Rebecca	41,600	
Kennesaw State University		
Hair, Joseph	3,507	
Rutherford, Brian	1,754	
	\$ 32,306,471	\$ 1,177,327

SECTION II
FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2014

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

The auditor is required to communicate to management and those charged with governance control deficiencies identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal control deficiencies identified during the course of this engagement that were considered to be significant deficiencies and/or material weaknesses are presented below:

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-548-14-01 Weaknesses in Logical Access IT General Controls

Compliance Requirement:	Activities Allowed or Unallowed Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	N/A
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Description:

University policies and procedures were insufficient to provide adequate internal controls over logical access IT general controls.

Criteria:

Management of the University is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are properly processed and reported.

Condition:

Our review of the established internal control structure associated with significant financial applications at the University revealed design and operating effectiveness deficiencies in logical access controls intended to protect financial and student financial assistance information from unauthorized access, manipulation and corruption.

The details related to these deficiencies have been provided to University Management in accordance with Official Code of Georgia Annotated §50-6-9.

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2014

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the University, they stated that the cause was directly related to ineffective policies and failure to adequately monitor general security settings and user access to the financial application.

Effect or Potential Effect:

Failure to maintain adequate internal controls related to logical access increases the risk that misappropriation of assets, fraud, errors, irregularities and/or noncompliance with federal regulations could occur.

Recommendation:

Management should review and enhance their policies and procedures to ensure the integrity and accuracy of the information used within the financial statements and as part of awarding financial assistance to students. Additionally, management should ensure proper separation of duties as it relates to financial and student financial assistance processes.

Views of Responsible Officials and Corrective Action Plans:

We concur with the finding.

System access for the staff in the Admissions, Registrar's, Bursar's and Financial Aid Offices will be reviewed to ensure inappropriate access for job functions are eliminated. In addition, a process to reestablish system access during employee interagency transitions will be established by our Information Technology Department.

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FA-548-14-02 Return of Title IV Funds

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
CFDA Number and Title:	84.SFA Student Financial Assistance Cluster

Description:

The Student Financial Assistance Office (SFA) did not properly perform the refund process and ensure unearned Title IV funds were accurately calculated and returned in a timely manner.

Criteria:

34 CFR 668 provides general provisions for administering Student Financial Assistance programs. 34 CFR 668.22 provides requirements over the treatment of the Title IV funds when a student withdraws. The University is required to determine the amount of the Title IV grant that the student earned as of the student's withdrawal date when a recipient of a Title IV grant withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. A refund must be returned to the Title IV programs when the total amount of the Title IV grant that the student earned is less than the amount of Title IV grant that was disbursed to the student as of the withdrawal date. 34 CFR 668.22(j)(1) states that "An institution must return the amount of Title IV funds...as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew".

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2014

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

The University did not properly perform the refund process for official and unofficial student withdrawals.

A sample of 23 students that received federal financial assistance and withdrew, officially or unofficially, from the University were selected to determine if refunds were calculated in conformity with Title IV requirements and returned in a timely manner in accordance with federal regulations. Our examination revealed the following:

1. Fourteen instances were noted where the University did not correctly calculate the amount of unearned funds. This resulted in an overpayment of Title IV funds returned to the U.S. Department of Education by the University in the amount of \$4,242.26.
2. The University properly calculated the refund for one student but did not return the unearned Title IV funds in the amount of \$499.85.
3. The University improperly calculated the refund for one student but did not return the unearned Title IV funds in the amount of \$2,137.29.
4. Ten refunds were not processed within the required timeframe of forty-five (45) days.

In addition, auditor reviewed listing of all students who received all failing and/or incomplete grades for which no return of Title IV funds were made to ascertain whether the students sufficiently completed the enrollment period. Refunds were not calculated for seven students with all failing and/or incomplete grades and did not complete 60% of the enrollment period. The University did not return \$10,964.24 of unearned Title IV funds.

Questioned Cost:

Questioned costs of \$13,601.38, with likely questioned costs of \$25,417.78, were identified of unearned Title IV funds not returned to the U.S. Department of Education.

Cause:

In discussing these conditions with Savannah State University management, these issues resulted from the lack of monitoring of the processing of student financial assistance refunds in accordance with federal regulations and an oversight in reviewing the report of students with unofficial withdrawals.

Effect or Potential Effect:

The University was not in compliance with federal regulations concerning the return of unearned Title IV funds to the U.S. Department of Education. Refunds were not calculated correctly and the University did not apply SFA refunds to the Title IV federal programs within the required timeframe.

Recommendation:

The University should develop and implement procedures to ensure that all 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 1998, Public Law 105-244. The University should also contact the U.S. Department of Education regarding resolution of this finding.

SAVANNAH STATE UNIVERSITY
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2014

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with the finding.

The Registrar's Office, Financial Aid Office and Bursar's Office have been working to develop the best process to gather withdrawal information from students to determine official and unofficial withdrawals for accurate and timely calculation of return of Title IV aid. The plan is to develop an automated withdrawal application that captures all pertinent dates to ensure an accurate period for computation. The University will utilize the return of Title IV aid calculation determined by student financial aid system for all future calculations.

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OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

No matters were reported.