

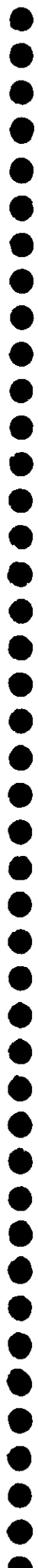


# **SAVANNAH STATE UNIVERSITY SAVANNAH, GEORGIA**

MANAGEMENT REPORT  
FOR FISCAL YEAR ENDED  
JUNE 30, 2015

A Member Institution of the  
University System of Georgia





SAVANNAH STATE UNIVERSITY

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SAVANNAH STATE UNIVERSITY

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SECTION I

FINANCIAL

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## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 26, 2016

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  
Dr. 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, 2015, 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.

In addition, we have audited compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its Federal programs for the year ended June 30, 2015.

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, 2015. 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:er

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SELECTED FINANCIAL INFORMATION

SAVANNAH STATE UNIVERSITY  
STATEMENT OF NET POSITION - (GAAP BASIS)  
JUNE 30, 2015

EXHIBIT "A"

<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$	5,975,703
Short-Term Investments (Externally Restricted)		408,276
Accounts Receivable, Net (Note 3)		
Receivables - Federal Financial Assistance		1,721,098
Receivables - Other		2,970,527
Inventories		67,243
Prepaid Items		<u>373,258</u>
Total Current Assets		<u>11,516,105</u>
Noncurrent Assets		
Noncurrent Cash		48,449
Short-Term Investments (Externally Restricted)		28,787
Investments (Externally Restricted)		6,452,327
Due from USO - Capital Liability Reserve Fund		844,039
Notes Receivable, Net		844,792
Capital Assets, Net (Note 4)		<u>147,540,396</u>
Total Noncurrent Assets		<u>155,758,790</u>
Total Assets		<u>167,274,895</u>
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plans		<u>2,609,034</u>
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable		1,363,350
Salaries Payable		133,634
Advances (Including Tuition and Fees) (Note 5)		1,741,117
Other Liabilities		1,521
Deposits Held for Other Organizations		1,555,762
Lease Purchase Obligations		2,052,110
Compensated Absences		<u>892,477</u>
Total Current Liabilities		<u>7,739,971</u>
Noncurrent Liabilities		
Lease Purchase Obligations		103,995,783
Compensated Absences		1,023,948
Net Pension Liability		<u>22,509,556</u>
Total Noncurrent Liabilities		<u>127,529,287</u>
Total Liabilities		<u>135,269,258</u>
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans		<u>7,912,477</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets		41,492,503
Restricted for:		
Nonexpendable		6,321,045
Expendable		1,207,923
Unrestricted		<u>-22,319,277</u>
Total Net Position	\$	<u>26,702,194</u>

SAVANNAH STATE UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

OPERATING REVENUES

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

OPERATING EXPENSES

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

NONOPERATING REVENUES (EXPENSES)

State Appropriations		19,458,854
Grants and Contracts		
Federal		17,609,545
Gifts		582,592
Investment Income (Endowments, Auxiliary and Other)		414,352
Interest Expense (Capital Assets)		-5,558,917
Other Nonoperating Revenues (Expenses)		<u>29,590</u>
 Net Nonoperating Revenues		 <u>32,536,016</u>
 Loss Before Other Revenues, Expenses, Gains, or Losses		 -5,701,503
 Capital Grants and Gifts		
State		<u>350,821</u>
 Decrease in Net Position		 -5,350,682
Net Position - Beginning of Year, Restated		<u>32,052,876</u>
 Net Position - End of Year		 <u>\$ 26,702,194</u>

SAVANNAH STATE UNIVERSITY  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 13,297,571
Grants and Contracts (Exchange)	9,091,629
Sales and Services	802,863
Payments to Suppliers	-43,928,606
Payments to Employees	-35,114,892
Payments for Scholarships and Fellowships	-6,406,945
Collection of Loans to Students and Employees	55,325
Auxiliary Enterprise Charges:	
Residence Halls	14,091,769
Bookstore	195,753
Food Services	9,781,762
Parking/Transportation	711,772
Health Services	654,665
Intercollegiate Athletics	4,636,768
Other Organizations	33,199
Other Receipts (Payments)	<u>407,791</u>
Net Cash Provided (Used) by Operating Activities	<u>-31,689,576</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	19,458,854
Agency Funds Transactions	-572,007
Gifts and Grants Received for Other than Capital Purposes	18,192,138
Other Nonoperating Receipts (Expenses)	<u>6,159</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>37,085,144</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	350,821
Purchases of Capital Assets	-1,830,433
Principal Paid on Capital Debt and Leases	-1,826,594
Interest Paid on Capital Debt and Leases	<u>-5,558,917</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-8,865,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	241,871
Purchase of Investments	<u>-230,774</u>
Net Cash Provided by Investing Activities	<u>11,097</u>
Net Decrease in Cash	-3,458,458
Cash and Cash Equivalents - Beginning of Year	<u>9,482,610</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,024,152</u>

SAVANNAH STATE UNIVERSITY  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Loss	\$ -38,237,519
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	7,461,696
Change in Assets and Liabilities:	
Receivables, Net	-576,457
Inventories	-22,458
Prepaid Items	3,250
Notes Receivable, Net	55,325
Accounts Payable	283,104
Salaries Payable	91,202
Advances (Including Tuition and Fees)	207,330
Other Liabilities	24,916
Compensated Absences	100,960
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	7,912,477
Deferred Outflows of Resources	-376,895
Net Pension Liability	<u>-8,616,507</u>
 Net Cash Used by Operating Activities	 <u>\$ -31,689,576</u>

NONCASH ACTIVITY

Change in Fair Value of Investments Recognized as a Component of Interest Income	\$ <u>172,481</u>
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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

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

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

### 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 outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

### BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues, are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University transactions have been eliminated.

### NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

#### **NET PENSION LIABILITY**

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

#### **CAPITAL LIABILITY RESERVE FUND**

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the University. The amount due Savannah State University as of June 30, 2015 was \$844,039.

#### **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 and deferred inflows, or resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

**Restricted - nonexpendable:** Nonexpendable restricted net position 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 - 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 is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the categories above. Included in the net deficit reported is the University's Net Pension Liability of \$22.5 million which is required for financial reporting and will not impact the economics of the plan or affect budgets of cash flows.

#### RESTATEMENT NOTE DISCLOSURE

For fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and *GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of \$28,893,923 attributable to a Net Pension Liability of \$31,126,063 less plan contributions of \$2,232,140 made during fiscal year 2014. This change is in accordance with generally accepted accounting principles.

#### NOTE 2: DEPOSITS AND INVESTMENTS

##### DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

SAVANNAH STATE UNIVERSITY  
 SELECTED FINANCIAL NOTES  
 JUNE 30, 2015

EXHIBIT "D"

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2015, the carrying value of deposits was \$6,459,675, which includes \$437,063 in Certificates of Deposit that are reported as Short-Term Investments, and the bank balance was \$7,662,043. Of the University's deposits, \$6,638,491 were uninsured. Of these uninsured deposits, \$6,638,491 were collateralized with securities held by the financial institution's trust department or agent in the University's name.

**INVESTMENTS**

At June 30, 2015, the carrying value of the University's investment was \$6,452,327, 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 Pool	
Board of Regents	
Legal Fund	\$ 835,045
Total Return Fund	<u>5,617,282</u>
 Total Investments	 <u>\$ 6,452,327</u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia - System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits and Accounts - Education Audit Division or on their web site at <http://www.audits.ga.gov>.

**NOTE 3: ACCOUNTS RECEIVABLE**

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

Student Tuition and Fees	\$ 1,476,268
Auxiliary Enterprises and Other Operating Activities	1,450,973
Federal Financial Assistance	1,721,098
Georgia State Financing and Investment Commission	200,007
Other	<u>932,262</u>
	5,780,608
Less Allowance for Doubtful Accounts	<u>1,088,983</u>
 Net Accounts Receivable	 <u>\$ 4,691,625</u>

SAVANNAH STATE UNIVERSITY  
SELECTED FINANCIAL NOTES  
JUNE 30, 2015

EXHIBIT "D"

**NOTE 4: CAPITAL ASSETS**

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

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

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

<u>Fiscal Year</u>		<u>Depreciation Expense</u>
2015	\$	7,461,696
2014	\$	7,060,300
2013	\$	7,389,919

SAVANNAH STATE UNIVERSITY  
SELECTED FINANCIAL NOTES  
JUNE 30, 2015

EXHIBIT "D"

**NOTE 5: ADVANCES**

Advances consisted of the following at June 30, 2015.

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

**NOTE 6: LONG-TERM LIABILITIES**

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

	Beginning Balance July 1, 2014 (Restated)	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
<b>Leases</b>					
Lease Obligations	\$ <u>107,874,487</u>	\$ <u>0</u>	\$ <u>1,826,594</u>	\$ <u>106,047,893</u>	\$ <u>2,052,110</u>
<b>Other Liabilities</b>					
Compensated Absences	1,815,465	1,294,780	1,193,820	1,916,425	892,477
Net Pension Liability	<u>31,126,063</u>		<u>8,616,507</u>	<u>22,509,556</u>	
<b>Total</b>	<u>32,941,528</u>	<u>1,294,780</u>	<u>9,810,327</u>	<u>24,425,981</u>	<u>892,477</u>
<b>Total Long-Term Obligations</b>	<b>\$ <u>140,816,015</u></b>	<b>\$ <u>1,294,780</u></b>	<b>\$ <u>11,636,921</u></b>	<b>\$ <u>130,473,874</u></b>	<b>\$ <u>2,944,587</u></b>

**NOTE 7: NET POSITION**

Changes in Net Position for the year ended June 30, 2015 are as follows:

	Beginning Balance July 1, 2014 (Restated)	Additions	Reductions	Ending Balance June 30, 2015
Net Investments in Capital Assets	\$ 45,273,738	\$ 3,805,529	\$ 7,586,764	\$ 41,492,503
Restricted Net Position	7,105,059	26,170,701	25,746,792	7,528,968
Unrestricted Net Position	<u>-20,325,921</u>	<u>39,124,134</u>	<u>41,117,490</u>	<u>-22,319,277</u>
<b>Total Net Position</b>	<b>\$ <u>32,052,876</u></b>	<b>\$ <u>69,100,364</u></b>	<b>\$ <u>74,451,046</u></b>	<b>\$ <u>26,702,194</u></b>

SAVANNAH STATE UNIVERSITY  
 SELECTED FINANCIAL NOTES  
 JUNE 30, 2015

EXHIBIT "D"

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

Net Investments in Capital Assets	\$	<u>41,492,503</u>
Restricted for		
Nonexpendable		
Permanent Endowment		<u>6,321,045</u>
Expendable		
Federal Loans		976,129
Institutional Loans		23,876
Term Endowments		<u>207,918</u>
Total Expendable		<u>1,207,923</u>
Unrestricted		
R & R Reserve		7,112,743
Reserve for Encumbrances		1,457,074
Reserve for Inventory		63,205
Other Unrestricted		<u>-30,952,299</u>
Total Unrestricted		<u>-22,319,277</u>
TOTAL NET POSITION	\$	<u><u>26,702,194</u></u>

**NOTE 8: ENDOWMENTS**

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

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

**NOTE 9: 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.

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**CAPITAL LEASES**

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2041. Payments for fiscal year 2015 were \$7,385,511 of which \$5,558,917 represented interest. Total principal paid on capital leases was \$1,826,594 for the fiscal year ended June 30, 2015. 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, 2015:

<u>Description</u>	<u>Gross Amount</u> (+)	<u>Accumulated Depreciation</u> (-)	<u>Net Capital Assets Held Under Capital Lease at June 30, 2015</u> (=)	<u>Outstanding Balances per Lease Schedules at June 30, 2015</u>
Buildings - (PPV)	\$ <u>110,333,789</u>	\$ <u>21,862,598</u>	\$ <u>88,471,191</u>	\$ <u>106,047,893</u>

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.

The following capital lease schedule lists the pertinent information for each lease including the building name, lessor, total principal amount, lease term, lease begin date, lease end date, and remaining long-term debt as of June 30, 2015.

CAPITAL LEASE SCHEDULE

<u>Description</u>	<u>Lessor (1)</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin</u>	<u>End</u>	<u>Outstanding Principal Balance at June 30, 2015</u>
Tiger Point	SSU Community Development	\$ 6,160,184	30 years	2011	2041	\$ 6,016,995
Tiger Place	SSU Community Development	8,182,797	30 years	2011	2041	7,985,201
Camillia Hubert	SSU Community Development	4,821,572	30 years	2011	2041	4,711,764
University Commons	SSU Community Development	24,586,826	25 years	2008	2033	23,920,887
University Village	SSU Community Development	29,229,205	25 years	2008	2032	26,691,855
Sports Complex	SSU Community Development	4,233,414	30 years	2012	2041	4,211,308
Student Building C	SSU Community Development	15,369,019	30 years	2012	2041	15,333,788
Student Center/Stadium	SSU Community Development	<u>17,750,772</u>	30 years	2011	2041	<u>17,176,095</u>
		<u>\$ 110,333,789</u>				<u>\$ 106,047,893</u>

(1) All of Savannah State University's capital leases are with related entities.

**OPERATING LEASES**

Savannah State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2016. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers, other small business equipment, and buildings.



SAVANNAH STATE UNIVERSITY  
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**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, 2015, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2016	\$ 7,272,359	\$ 107,411
2017	7,408,858	
2018	7,527,075	
2019	7,639,697	
2020	7,754,687	
2021 - 2025	40,584,849	
2026 - 2030	43,997,729	
2031 - 2035	33,229,479	
2036 - 2040	20,011,423	
2041	3,411,276	
Total Minimum Lease Payments	178,837,432	\$ 107,411
Less: Interest	72,789,539	
Principal Outstanding	\$ 106,047,893	

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

**NOTE 10: RETIREMENT PLANS**

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

The significant retirement plan that Savannah State University participates in is 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**

*General Information about the Teachers' Retirement System*

**Plan description:** All teachers of the College as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2015. The University's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual University payroll. University contributions to TRS were \$2,609,034 and \$2,232,140 for the fiscal year ended June 30, 2015 and June 30, 2014, respectively. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2015, the University reported a liability for its proportionate share of the Net Pension Liability for TRS totaling \$22,509,556. The Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The University's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2014. At June 30, 2014, the University's TRS proportion was 0.178171%, which was a decrease of 0.000459% from its proportion measured as of June 30, 2013.

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

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EXHIBIT "D"

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

University contributions subsequent to the measurement date of \$2,609,034 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

**Teachers' Retirement System:**

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

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

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

The long-term expected rate of return on TRS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation)

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are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Fixed Income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
	<u>100.00%</u>	

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

**Discount rate:** The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate:** The following presents the University's proportionate share of the Net Pension Liability calculated using the discount rate of 7.50%, as well as what the University's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

**Teachers' Retirement System:**

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

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications).

## Regents Retirement Plan

### Plan Description

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

### Funding Policy

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

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

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

### NOTE 11: RISK MANAGEMENT

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

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

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

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

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. Savannah State University, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

#### **NOTE 12: CONTINGENCIES**

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

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

#### **NOTE 13: 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 2015 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, 2015, there were 236 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, Savannah State University recognized as incurred \$908,293 of expenditures, which was net of \$455,485 of participant contributions.

**NOTE 14: AFFILIATED ORGANIZATIONS**

The Savannah State University Foundation, Savannah State University Real Estate Foundation, Savannah State University Research Foundation, and Savannah State University 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 61, 39 and 14. 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.

SUPPLEMENTARY INFORMATION



SAVANNAH STATE UNIVERSITY  
BALANCE SHEET (STATUTORY BASIS)  
BUDGET FUND  
JUNE 30, 2015

SCHEDULE "1"

ASSETS

Investments	\$	8,275.65
Accounts Receivable		
Federal Financial Assistance		1,721,098.01
Other		3,241,645.68
Prepaid Expenditures		200,016.35
Inventories		<u>67,243.36</u>

Total Assets	\$	<u><u>5,238,279.05</u></u>
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LIABILITIES AND FUND EQUITY

Liabilities		
Cash Overdraft	\$	942,835.61
Accrued Payroll		101,837.28
Encumbrances Payable		921,837.83
Accounts Payable		210,592.97
Deferred Revenue		1,741,116.68
Other Liabilities		<u>6,368.72</u>

Total Liabilities		<u><u>3,924,589.09</u></u>
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Fund Balances		
Reserved		
Department Sales and Services		24,048.84
Indirect Cost Recoveries		209,887.82
Technology Fees		163,294.53
Uncollectible Accounts Receivable		736,307.64
Tuition Carry-Over		105,033.43
Inventories		63,204.93
Unreserved		
Surplus		<u>11,912.77</u>

Total Fund Balances		<u><u>1,313,689.96</u></u>
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Total Liabilities and Fund Balances	\$	<u><u>5,238,279.05</u></u>
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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, 2015

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
State Appropriation			0.00
State General Funds	\$ 19,467,891.00	\$ 19,467,891.00	\$
Other Funds	61,514,283.00	54,566,186.80	-6,948,096.20
Total Revenues	80,982,174.00	74,034,077.80	-6,948,096.20
<b>CARRY-OVER FROM PRIOR YEARS</b>			
Transfers from Reserved Fund Balance	0.00	1,576,989.08	1,576,989.08
Total Funds Available	80,982,174.00	75,611,066.88	-5,371,107.12
<b>EXPENDITURES</b>			
Teaching	80,982,174.00	75,101,428.52	5,880,745.48
Excess of Funds Available over Expenditures	\$ 0.00	509,638.36	\$ 509,638.36
<b>FUND BALANCE JULY 1</b>			
Reserved		2,372,081.68	
Unreserved		9,036.84	
<b>ADJUSTMENTS</b>			
Prior Year Payables/Expenditures		8,959.00	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-9,036.84	
Prior Year Reserved Fund Balance Included in Funds Available		-1,576,989.08	
<b>FUND BALANCE JUNE 30</b>		\$ 1,313,689.96	
<b>SUMMARY OF FUND BALANCE</b>			
Reserved		\$ 24,048.84	
Department Sales and Services		209,887.82	
Indirect Cost Recoveries		163,294.53	
Technology Fees		736,307.64	
Uncollectible Accounts Receivable		105,033.43	
Tuition Carry-Over		63,204.93	
Inventories		1,301,777.19	
Total Reserved		1,301,777.19	
Unreserved Surplus		11,912.77	
Total Fund Balance		\$ 1,313,689.96	

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.

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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, 2015

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ 19,467,891.00	\$ 19,467,891.00	\$ 19,467,891.00	\$ 19,467,891.00
Other Funds	<u>59,432,627.00</u>	<u>59,432,627.00</u>	<u>61,514,283.00</u>	<u>54,566,186.80</u>
Total Teaching	<u>\$ 78,900,518.00</u>	<u>\$ 78,900,518.00</u>	<u>\$ 80,982,174.00</u>	<u>\$ 74,034,077.80</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.

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 Negative	Actual	Variance Positive	
\$ 0.00	\$ 0.00	\$ 19,467,891.00	\$ 0.00	\$ 19,460,255.07	\$ 7,635.93	7,635.93
<u>1,576,989.08</u>	<u>0.00</u>	<u>56,143,175.88</u>	<u>-5,371,107.12</u>	<u>55,641,173.45</u>	<u>5,873,109.55</u>	<u>502,002.43</u>
<u>\$ 1,576,989.08</u>	<u>\$ 0.00</u>	<u>\$ 75,611,066.88</u>	<u>\$ -5,371,107.12</u>	<u>\$ 75,101,428.52</u>	<u>\$ 5,880,745.48</u>	<u>\$ 509,638.36</u>

SAVANNAH STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
(STATUTORY BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2015

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2014 Surplus	Prior Period Adjustments
<b>Teaching</b>				
State Appropriation		0.00	-3,309.75	0.00
State General Funds	\$ 3,309.75			
Other Funds	<u>1,582,716.17</u>	<u>-1,576,989.08</u>	<u>-5,727.09</u>	<u>8,959.00</u>
Total Teaching	1,586,025.92	-1,576,989.08	-9,036.84	8,959.00
<b>Prior Year Reserves</b>				
Not Available for Expenditure		0.00	0.00	0.00
Inventories	55,569.00			
Uncollectible Accounts Receivable	<u>739,523.60</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Budget Unit Totals</b>	<u>\$ 2,381,118.52</u>	<u>\$ -1,576,989.08</u>	<u>\$ -9,036.84</u>	<u>\$ 8,959.00</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.

Other Adjustments	Early Return Fiscal Year 2015 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ -7,635.93	\$ 0.00	\$ 7,635.93	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<u>3,215.96</u>	<u>0.00</u>	<u>502,002.43</u>	<u>514,177.39</u>	<u>502,264.62</u>	<u>11,912.77</u>	<u>514,177.39</u>
-4,419.97	0.00	509,638.36	514,177.39	502,264.62	11,912.77	514,177.39
7,635.93	0.00	0.00	63,204.93	63,204.93	0.00	63,204.93
<u>-3,215.96</u>	<u>0.00</u>	<u>0.00</u>	<u>736,307.64</u>	<u>736,307.64</u>	<u>0.00</u>	<u>736,307.64</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 509,638.36</u>	<u>\$ 1,313,689.96</u>	<u>\$ 1,301,777.19</u>	<u>\$ 11,912.77</u>	<u>\$ 1,313,689.96</u>

Summary of Ending Fund Balance

Reserved		
Department Sales and Services	\$ 24,048.84	\$ 24,048.84
Indirect Cost Recoveries	209,887.82	209,887.82
Technology Fees	163,294.53	163,294.53
Uncollectible Accounts Receivable	736,307.64	736,307.64
Tuition Carry-Over	105,033.43	105,033.43
Inventories	63,204.93	63,204.93
Unreserved		
Surplus	\$ 11,912.77	\$ 11,912.77
Total Ending Fund Balance - June 30	\$ 1,301,777.19	\$ 1,313,689.96

SAVANNAH STATE UNIVERSITY  
RECONCILIATION OF BUDGET TO GAAP  
YEAR ENDED JUNE 30, 2015

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")	\$	1,313,690
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.		147,540,396
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.		-736,308
Agency Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 2,146,413	
Liabilities	<u>-2,146,413</u>	
Total Net Effect of Agency Fund Activity		0
Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 7,588,145	
Liabilities	<u>-92,818</u>	
Total Net Effect of Auxiliary Enterprises Fund Activity		7,495,327
Endowment Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 6,529,563	
Liabilities	<u>0</u>	
Total Net Effect of Endowment Fund Activity		6,529,563
Loan Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ 1,000,005	
Liabilities	<u>0</u>	
Total Net Effect of Loan Fund Activity		1,000,005
Student Activities Fund activities are not reported as a component of the Budget Fund.		
Assets	\$ -85,725	
Liabilities	<u>-2,273</u>	
Total Net Effect of Student Activity Fund Activity		-87,998
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.	\$ 921,838	
Georgia State Financing and Investment activity reported as revenues in the Budget Fund to cover encumbrances reported as expenditures are eliminated for GAAP reporting.	<u>-1,003,039</u>	
Total Net Effect of Encumbrance Activity		-81,201
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	\$ -106,047,893	
Compensated Absences Payable	-1,916,425	
Interest Expense Accrual	-493,963	
Net Pension Liability	<u>-27,812,999</u>	
Total Liabilities		<u>-136,271,280</u>
Net Position of Business-Type Activities (Exhibit "A")	\$	<u>26,702,194</u>

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, 2015

SCHEDULE "6"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 35,010,702	\$ 1,152,211
Accruals		
June 30, 2015	133,634	
June 30, 2014	-110,353	
Compensated Absences		
June 30, 2015	1,780,238	
June 30, 2014	-1,686,452	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Armstrong Atlantic State University		
Brown, Lakeisha	-3,850	
Samuel, Linda	-21,850	
Columbus State University		
Hutchinson, Marilyn	-563	
Moore, Andrea	-282	
East Georgia State College		
Vincent, Rebecca	35,083	
Adjustments		
Barr, Alex	-166	
Hardy, Nat	-300	
Howard, Dawn		
Jones, Cecil	-500	
Marriott, Karla-Sue	-500	
Sioufi, Nancy	-500	
	-500	-1,000
	\$ 35,134,341	\$ 1,151,211

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SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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SAVANNAH STATE UNIVERSITY  
ENTITY'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING CONTROL NUMBER</u>	<u>AUDITEE'S RESPONSE/STATUS</u>	<u>SEE AUDITOR'S COMMENTS</u>
FA- 548-14-01	Further Action Not Warranted	(1)
FA- 548-14-02	Unresolved - See Corrective Action/Responses	

**AUDITOR'S COMMENTS**

- (1) Findings/Internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with Statements on Auditing Standards (Yellow Book), will be communicated in a management letter.

**CORRECTIVE ACTION/RESPONSES**

**SPECIAL TESTS AND PROVISIONS**

Return of Title IV Funds

U.S. Department of Education


Student Financial Assistance Cluster Program (CFDA 84.SFA)

Finding control Number: FA-548-14-02

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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SECTION III  
FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

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SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2015

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 2015-001 Undocumented Cost of Attendance Budgets**

Compliance Requirement:	Eligibility
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 University's Student Financial Aid Office did not document the procedures used to establish their Cost of Attendance budgets.

**Criteria:**

Provisions included in 34 CFR 668 provide general provisions for administering Student Financial Aid (SFA) programs.

**Condition:**

Upon review of the University's Cost of Attendance (COA) budgets, it was noted that University personnel could not provide supporting documentation or explanations for the calculation of several components of the COA budgets, including Books and Supplies, Personal Expenses, Transportation, and Off-Campus Room and Board.

**Questioned Cost:** N/A

**Cause:**

In discussing these deficiencies with management, they stated that due to turnover in the SFA Office, the University could not locate documentation for the procedures used in calculating COA budget components or determine if this documentation initially existed.

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Effect or Potential Effect:**

The University was not in compliance with Federal regulations concerning the COA budgets used as the basis for determining SFA eligibility. The COA is the cornerstone of establishing a student's financial need and sets a limit on the total aid a student may receive. If the estimated costs used for components in the COA budget are unreasonable and do not represent average costs for students at the University, a majority of the student population may have been significantly over-awarded.

**Recommendation:**

The University should reevaluate the components used in the COA budgets and document that these costs represent average costs for students enrolled at the University. The University should modify its procedures to ensure that any future changes to the COA budgets are reasonable and based on documented average costs for students. The University should also contact the U.S. Department of Education regarding resolution of this finding.

**Views of Responsible Officials and Corrective Action Plans:**

We concur with this finding. To address the specific deficiencies noted in the audit, the University's Financial Aid Director will review the processes and procedures relate to determining the cost of attendance and maintain documentation.

Contact Person: Kenneth Wilson, Director of Financial Aid  
Telephone: (912) 358-4162  
Fax: (913) 650-8114  
Email: wilsonk@savannahstate.edu

**FA 2015-002 Satisfactory Academic Progress Determinations**

Compliance Requirement: Eligibility  
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 University's satisfactory academic progress policy fails to describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions.

**Criteria:**

34 CFR 668 provides general provisions for administering Student Financial Assistance programs. 34 CFR 668(a)(6) states that an institution's satisfactory academic progress policy is reasonable if "the policy describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours."

**Condition:**

The University's satisfactory academic progress policy did not detail how a student's GPA and pace of completion are affected by various grades. In addition, the policy did not include credit hours from another institution that are accepted toward the student's educational program as both attempted and completed hours for calculating the pace of completion.

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Questioned Cost:** N/A

**Cause:**

In discussing this deficiency with management, this deficiency was the result of an outdated policy that did not adequately cover specific SAP requirements.

**Effect or Potential Effect:**

This deficiency could potentially cause a student to receive Title IV financial aid whom otherwise would not be eligible to receive funds.

**Recommendation:**

We recommend that the University review and update internal policies to ensure that satisfactory academic progress determinations are in compliance with federal regulations. Additionally, we recommend the University develop and implement a monitoring process to ensure that controls are properly implemented.

**Views of Responsible Officials and Corrective Action Plans:**

We concur with this finding. The University self-reported to the U. S. Department of Education (USDOE) that problems in this area were found to exist. An off-Site Program Review was scheduled to begin July 23, 2015. The Satisfactory Academic Progress policy for 2012-13, 2013-14 2014-15 and the new corrected policy for 2015-16 were reviewed. A Program Review Report was issued on August 19, 2015 to which the University responded. As of the date of this finding response, the USDOE has not issued clearance letter in relation to this matter. The current policy that went into effect for the 2015-2016 school year corrected the issues stated in this finding. In addition, Banner has been modified with additional controls.

Contact Person: Kenneth Wilson, Director of Financial Aid  
Telephone: (912) 358-4162  
Fax: (913) 650-8114  
Email: wilsonk@savannahstate.edu

**FA 2015-003 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  
Questioned Costs: \$26,489.85  
Repeat of Prior Year Finding: FA-548-14-02

**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.

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**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."

**Condition:**

The University did not properly perform the refund process for official and unofficial student withdrawals and return unearned Title IV funds to the U.S Department of Education within the required timeframe of forty-five days. Additionally, the University's method of identifying withdrawn students was not detecting all students, including students enrolled only in e-courses, who unofficially withdrew from the University.

A sample of twenty-five 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 for six students in the amount of \$1,684.33 and an underpayment for eight students totaling \$5,919.55.
2. Ten refunds were not processed within the required timeframe of forty-five (45) days.

In addition, the auditor reviewed the 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 six students with all failing and/or incomplete grades and did not complete 60% of the enrollment period. The University did not return \$22,254.63 of unearned Title IV funds.

**Questioned Cost:**

Known questioned cost of \$26,489.85 were identified of unearned Title IV funds not returned to the U.S. Department of Education. Additional questioned costs totaling \$205,557.00 were projected to the remaining population.

**Cause:**

In discussing these deficiencies with management, they stated that untimely refunds were caused as a result of instructors who did not report student withdrawals in a timely manner. Management also stated that a lack of monitoring of the processing of student financial assistance refunds in accordance with federal regulations and an oversight in reviewing unofficial withdrawals, resulted in refunds not being calculated for these students. Additionally, the University's SFA policy does not address unofficial withdrawal determination for students enrolled in e-courses.

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**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, implement, and monitor policies and procedures to ensure that student financial aid refunds are properly calculated and that unearned funds are returned to the U.S. Department of Education in a timely manner.

**Views of Responsible Officials and Corrective Action Plans:**

We concur with this finding. The University has implemented procedures to identify and process withdraw students. The Office of Financial Aid review reports to insure timely and accurate calculations are performed. Additional training has been provided to individuals in the Office of Financial Aid that are responsible for monitoring the Return of Title IV process.

Contact Person: Kenneth Wilson, Director of Financial Aid  
Telephone: (912) 358-4162  
Fax: (913) 650-8114  
Email: wilsonk@savannahstate.edu

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Accounting Controls Overall

**Observation:**

Our examination of Savannah State University included a review of IT General Controls related to significant financial applications. We noted several conditions of inadequate logical access controls to protect the integrity of information maintained in significant financial applications.

**Recommendation:**

The University should enhance logical access controls to include general security settings to limit access to unique authorized individuals and formal policies and procedures for rescinding user access to the financial application and access to supporting infrastructure. Formal Logical Access policies and procedures will assist in mitigating the risk of manipulation, corruption, or loss of financial data, to ensure the integrity of information which is utilized by management for decision making and financial reporting.

Student Financial Aid Cluster Program

Untimely Enrollment Reporting

**Observation:**

Our testing of twenty-five students who withdrew during the Fall 2014 and Spring 2015 semesters revealed that withdrawn enrollment statuses for nine of the students (eight unofficial and one official) were not reported to the National Student Loan Data System (NSLDS) within 60 days.

**Recommendation:**

The University should develop and/or modify its policies and procedures to ensure that all changes in student enrollment statuses, including the unofficially withdrawn are reported in a timely manner to the NSLDS.





## DEPARTMENT OF AUDITS AND ACCOUNTS

### Education Audit Division

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

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

February 8, 2016

Dr. Cheryl Davenport Dozier, President  
Savannah State University  
3219 College Street  
Savannah, Georgia 31404

Dear Dr. Dozier:

We have completed certain audit procedures relating to the financial statements of Savannah State University as part of our agreed upon procedures engagement of the statutory basis financial statements of the State of Georgia presented in the *State of Georgia Budgetary Compliance Report* and our audit of 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, 2015. In connection therewith, we have issued the enclosed Management Report containing information pertinent to the financial and compliance activities of Savannah State University, as of and for the year ended June 30, 2015.

For the year ended June 30, 2015, the State of Georgia elected to satisfy the requirements of the Single Audit Act Amendments of 1996 and Office of Management and Budget's (OMB) Circular A-133 by performing a statewide single audit. As you were earlier notified, your Institution was identified as an organizational unit of the State of Georgia reporting entity, and accordingly, your financial statements were examined to the extent considered necessary to enable us to express an opinion on the financial statements of the State of Georgia contained in the *Comprehensive Annual Financial Report (CAFR)* of the State of Georgia, and to report on compliance and internal control in the *Single Audit Report* of the State of Georgia, pursuant to Government Auditing Standards.

You are not required to submit a copy of your individual Institution report to those grantors that have provided your Institution with funding in support of your Federal awards. All report distribution requirements will be satisfied through the distribution of the *Single Audit Report* of the State of Georgia.

The State Accounting Office (SAO) will assist each of the organizational units of the State who was a recipient of Federal financial assistance in fulfilling their respective report distribution requirements, as specified by OMB Circular A-133. Upon completion of the statewide single audit, the SAO will transmit a copy of the *Single Audit Report* of the State of Georgia to each of the following governmental entities on your behalf:

- (1) U. S. Bureau of the Census National Clearinghouse, and
- (2) Each organization unit of the State including each State agency, authority, commission, college, university, technical college, etc., that provided Federal financial assistance to your Institution.





In the event your Institution received Federal financial assistance from an organization (pass-through entity) other than those noted in (2) above, your Institution may have additional report distribution responsibilities as follows:

- ✓ You may need to furnish a copy of the *Single Audit Report* of the State of Georgia (which will be made available to you upon issuance at a later date) if in the Schedule of Findings, Questioned Costs and Other Items or the Summary Schedule of Prior Year Findings disclosed findings relating to the Federal awards that the pass-through entity provided to your Institution. Upon request, SAO will supply your Institution with sufficient copies of the *Single Audit Report* of the State of Georgia in order that you may distribute a report to each of the "pass-through entities". For your assistance, we have identified these pass-through entities as follows:

(1) None

- ✓ If your Institution received Federal financial assistance from pass-through entities for which the *Single Audit Report* of the State of Georgia contains no findings that related to the Federal Awards provided by the pass-through entities, it is not necessary for you to send these pass-through entities a copy of the *Single Audit Report*. You need only provide written notification to each of the pass-through entities that a single audit was performed in accordance with OMB Circular A-133 and that there were no findings associated with the Federal awards received from the pass-through entity. Those pass-through entities that will need a notification letter are identified below:

- (1) Consortium for Ocean Leadership
- (2) Maryland Eastern Shore
- (3) JETS
- (4) Lockheed Martin
- (5) ORAU
- (6) Morehouse School of Medicine

See Attachment "A" for an example of the notification letter to be furnished to the above pass-through entities. If you need to determine the amount of expenditures incurred by your Institution against Federal assistance programs provided by any of the above pass-through entities, you can access the Institution's "Schedule of Expenditures of Federal Awards" web application at <https://www.audits.ga.gov/auth/login.aud>. The designated contact for the Federal expenditure web application has the username and password required to access this website.



Thank you for your cooperation in the above matters and should you have any questions, please contact me at (912) 486-7275 Ext. 201

Respectfully,

/s/ Caroline James

Caroline James  
Manager  
Education Audit Division

Enclosure

cc w/Attachment "A": Mr. Edward B. Jolley, Jr., CPA, MBA  
Vice President of Business & Financial Affairs



***EXAMPLE NOTIFICATION LETTER TO OTHER GRANTORS***

October 1, 2015

Mr. Joe Smith  
Metropolitan Atlanta Regional Development Center  
1234 First Street  
Atlanta, Georgia 30334

Dear Mr. Smith,

Our organization was audited for the fiscal year ended June 30, 2015 by the Georgia Department of Audits as a part of the *Single Audit Report* of the State of Georgia. The *Single Audit Report* was conducted in accordance with OMB Circular A-133. OMB Circular A-133 Section 320(e) requires that we provide written notification to pass-through entities that a single audit was conducted and the Schedule of Findings and Questioned Costs disclosed no findings relating to the grant obtained from the pass-through entity. The following are Federal awards that we expended during the fiscal year ended June 30, 2015 which were provided by your organization:

(1) Education and Human Resources (47.076)	\$123,456.78
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The Schedule of Findings and Questioned Costs disclosed no findings relating to the Federal award(s) listed above, nor did the Summary Schedule of Prior Findings report on the status of any findings relating to the Federal award(s) above.

If you have any questions, please contact Mary Doe, Director of Accounting at (404)123-4567.

Sincerely,

John Smith  
President



