

**SAVANNAH STATE UNIVERSITY**  
**Management Report**  
**Fiscal Year Ended June 30, 2016**



Hill Hall



SAVANNAH STATE UNIVERSITY

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

**Kristina A Turner**  
DIRECTOR  
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January 11, 2017

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:

This Management Report contains information pertinent to the Savannah State University's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Core Requirement 2.11.1 (Financial resources) as of and for the year ended June 30, 2016. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Savannah State University to support our audits 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, 2016.

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

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SELECTED FINANCIAL INFORMATION

SAVANNAH STATE UNIVERSITY  
STATEMENT OF NET POSITION - (GAAP BASIS)  
JUNE 30, 2016

EXHIBIT "A"

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 3,043,837
Short-Term Investments	408,276
Accounts Receivable, Net	
Receivables - Federal Financial Assistance	1,907,467
Receivables - Other	6,274,605
Inventories	72,703
Prepaid Items	<u>249,322</u>
Total Current Assets	<u>11,956,210</u>
Noncurrent Assets	
Due from USO - Capital Liability Reserve Fund	844,039
Notes Receivable, Net	786,278
Noncurrent Cash	109,381
Short-Term Investments	28,292
Investments	6,724,009
Capital Assets, Net	<u>142,576,561</u>
Total Noncurrent Assets	<u>151,068,560</u>
Total Assets	<u>163,024,770</u>
Deferred Outflows of Resources	
Deferred Loss on Defined Benefit Pension Plan	<u>4,363,002</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	1,137,454
Salaries Payable	180,273
Benefits Payable	121,327
Advances (Including Tuition and Fees)	1,711,151
Other Liabilities	1,238
Deposits Held for Other Organizations	1,835,331
Lease Purchase Obligations	2,304,578
Compensated Absences	<u>885,882</u>
Total Current Liabilities	<u>8,177,234</u>
Noncurrent Liabilities	
Lease Purchase Obligations	101,608,182
Compensated Absences	1,016,383
Net Pension Liability	<u>28,629,659</u>
Total Noncurrent Liabilities	<u>131,254,224</u>
Total Liabilities	<u>139,431,458</u>
Deferred Inflows of Resources	
Deferred Gain on Defined Benefit Pension Plan	<u>2,717,113</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	38,663,801
Restricted for:	
Nonexpendable	6,658,534
Expendable	1,143,226
Unrestricted	<u>-21,226,360</u>
Total Net Position	<u>\$ 25,239,201</u>

SAVANNAH STATE UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2016

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees (Net)	\$	13,311,455
Grants and Contracts		
Federal		9,780,672
State		63,394
Other		445,339
Sales and Services		945,266
Rents and Royalties		56,815
Auxiliary Enterprises		
Residence Halls		14,593,486
Bookstore		267,093
Food Services		9,552,531
Parking/Transportation		758,499
Health Services		630,861
Intercollegiate Athletics		4,413,061
Other Organizations		40,171
Other Operating Revenues		<u>577,675</u>
 Total Operating Revenues		 <u>55,436,318</u>

OPERATING EXPENSES

Salaries		
Faculty		15,028,827
Staff		20,478,284
Employee Benefits		10,907,155
Other Personal Services		380,998
Travel		1,169,487
Scholarships and Fellowships		6,656,916
Utilities		3,270,148
Supplies and Other Services		27,852,066
Depreciation		<u>7,356,724</u>
 Total Operating Expenses		 <u>93,100,605</u>
 Operating Income (Loss)		 <u>-37,664,287</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations		22,014,788
Grants and Contracts		
Federal		17,173,804
Gifts		781,214
Investment Income (Endowments, Auxiliary and Other)		332,132
Interest Expense (Capital Assets)		-4,884,069
Other Nonoperating Revenues (Expenses)		<u>51,660</u>
 Net Nonoperating Revenues		 <u>35,469,529</u>
 Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		 <u>-2,194,758</u>
 Extraordinary Item		 <u>731,765</u>
 Decrease in Net Position		 <u>-1,462,993</u>
Net Position - Beginning of Year		<u>26,702,194</u>
 Net Position - End of Year	\$	 <u><u>25,239,201</u></u>



SAVANNAH STATE UNIVERSITY  
STATEMENT OF CASH FLOWS - (GAAP BASIS)  
YEAR ENDED JUNE 30, 2016

EXHIBIT "C"

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments from Customers	\$ 44,577,589
Grants and Contracts (Exchange)	9,191,735
Payments to Suppliers	-43,364,045
Payments to Employees	-37,066,662
Payments for Scholarships and Fellowships	-6,656,917
Collection of Loans to Students	<u>58,515</u>
Net Cash Provided (Used) by Operating Activities	<u>-33,259,785</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	22,014,788
Agency Funds Transactions	-607,886
Gifts and Grants Received for Other than Capital Purposes	17,955,018
Other Noncapital Receipts	<u>70,942</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>39,432,862</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	-1,832,597
Principal Paid on Capital Debt and Leases	-2,135,133
Interest Paid on Capital Debt and Leases	<u>-5,137,226</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-9,104,956</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	232,156
Purchase of Investments	<u>-171,211</u>
Net Cash Provided by Investing Activities	<u>60,945</u>
Net Decrease in Cash	-2,870,934
Cash and Cash Equivalents - Beginning of Year	<u>6,024,152</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,153,218</u>
<b>RECONCILIATION OF OPERATING Income (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ -37,664,287
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	7,356,724
Change in Assets and Liabilities:	
Receivables, Net	-2,061,404
Inventories	-5,460
Prepaid Items	123,936
Notes Receivable, Net	126,706
Accounts Payable	-332,481
Salaries Payable	31,828
Benefits Payable	23,480
Advances (Including Tuition and Fees)	-29,966
Other Liabilities	1,238
Compensated Absences	-14,160
Pollution Remediation	-1,521
Net Pension Liability	6,120,103
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	-5,195,364
Deferred Outflows of Resources	<u>-1,739,157</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -33,259,785</u>
<b>NONCASH ACTIVITY</b>	
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	\$ 646,155
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	<u>\$ -83,024</u>
Accrual of Capital Financing Interest Payable	<u>\$ -253,157</u>
Unrealized Gain/Loss on Investments	<u>\$ 99,977</u>

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, Savannah State University (the Institution) is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The Institution does not have the right to sue/be sued without recourse to the State. The Institution's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Institution is not legally separate from the State. Accordingly, the Institution is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institution. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The State's CAFR as of and for the year ended June 30, 2016 has not been issued as of the release of this report. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or found at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

**BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PREPARATION**

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

The Institution's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-Institution transactions have been eliminated.

### **NEW ACCOUNTING PRONOUNCEMENTS**

For fiscal year 2016, the Institution adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

For fiscal year 2016, the Institution adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement does not have a significant impact on the Institution's financial statements.

### **DUE FROM USO - CAPITAL LIABILITY RESERVE FUND**

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the 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 University System Office. 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 USG has rental obligations under the PPV program. At the conclusion of the Institution's participation in the program, funds will be returned to the Institution. The balance included on the Institution's Statement of Net Position represents the Institution's contribution to the Fund.

## NET POSITION

The Institution's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the Institution's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

*Restricted – non-expendable* includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University of Georgia permits each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted-expendable accounts for expenditure as specified by the purpose of the endowment. The Institution maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

*Restricted - expendable* includes resources in which the Institution is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

*Unrestricted:* Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the Institution to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$73,194.19. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

- Auxiliary Enterprises Operations – These resources are used for the continued operation of auxiliary enterprise activities, which are substantially self-supporting business operations conducted on campuses that provide services to students, faculty, and staff.
- Auxiliary Enterprises Renewals and Replacement (R&R) Reserve – These resources can be used for renewals and replacement of capitalizable assets related to auxiliary services. This R&R reserve can also be used for major renovations and rehabilitations auxiliary projects that do not meet the capitalization threshold.

## SCHOLARSHIP ALLOWANCES

Scholarship allowances are the differences between the stated charge for goods and services provided by the Institution, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the Institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institution has recorded contra revenue for scholarship

allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$18,742,569 and \$529,346, respectively.

**NOTE 2: DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2016, the carrying value of deposits was \$3,588,246 and the bank balance was \$4,645,801. Of the Institution's deposits, \$3,593,841 were uninsured. Of these uninsured deposits, \$3,593,841 were collateralized with securities held by the financial institution's trust department or agent in the Institution's name.

**INVESTMENTS**

At June 30, 2016, the carrying value of the Institution's investments were \$6,724,009, 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	\$ 853,980
Total Return Fund	5,870,029
Total Investment Pools	\$ 6,724,009

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, 2016:

Student Tuition and Fees	\$ 2,268,417
Auxiliary Enterprises and Other Operating Activities	1,661,905
Federal Financial Assistance	1,907,467
Georgia State Financing and Investment Commission	846,163
Due From USO - Capital Liability Reserve Fund	844,039
Other	2,564,275
	10,092,266
Less: Allowance for Doubtful Accounts	1,066,155
Net Accounts Receivable	\$ 9,026,111

SAVANNAH STATE UNIVERSITY  
SELECTED FINANCIAL NOTES  
JUNE 30, 2016

EXHIBIT "D"

**NOTE 4: CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balances July 1, 2015	Capital Leases Recategorization	Additions	Reductions	Ending Balance June 30, 2016
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 975,219	\$ 0	\$ 265,000		\$ 1,240,219
Construction Work-in-Progress	1,259,199		1,086,256	\$ 1,005,724	1,339,731
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,234,418</b>	<b>0</b>	<b>1,351,256</b>	<b>1,005,724</b>	<b>2,579,950</b>
<b>Capital Assets, Being Depreciated:</b>					
Building and Building Improvements	89,548,964	110,333,789	1,005,724	341,075	200,547,402
Facilities and Other Improvements	4,436,200				4,436,200
Equipment	9,228,498		306,734		9,535,232
Capital Leases	110,333,789	-110,333,789			0
Library Collections	8,400,483		174,607	6,205	8,568,885
Capitalized Collections	55,285				55,285
<b>Total Capital Assets Being Depreciated</b>	<b>222,003,219</b>	<b>0</b>	<b>1,487,065</b>	<b>347,280</b>	<b>223,143,004</b>
<b>Less: Accumulated Depreciation</b>					
Building and Building Improvements	39,091,418	24,553,642	3,564,392	197,838	67,011,614
Facilities and Other Improvements	2,302,379		125,913	1	2,428,290
Equipment	6,172,685		762,121	703,529	6,231,277
Capital Leases	21,862,598	-24,553,642	2,691,044		0
Library Collections	7,248,546		211,872	6,204	7,454,214
Capitalized Collections	19,615		1,382		20,997
<b>Total Accumulated Depreciation</b>	<b>76,697,241</b>	<b>0</b>	<b>7,356,724</b>	<b>907,572</b>	<b>83,146,393</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>145,305,978</b>	<b>0</b>	<b>-5,869,659</b>	<b>-560,292</b>	<b>139,996,611</b>
<b>Capital Assets, net</b>	<b>\$ 147,540,396</b>	<b>\$ 0</b>	<b>\$ -4,518,403</b>	<b>\$ 445,432</b>	<b>\$ 142,576,561</b>

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

<u>Fiscal Year</u>	<u>Depreciation Expense</u>
2016	\$ 7,356,724
2015	\$ 7,461,696
2014	\$ 7,060,300



SAVANNAH STATE UNIVERSITY  
SELECTED FINANCIAL NOTES  
JUNE 30, 2016

EXHIBIT "D"

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2016:

		<u>Current Liabilities</u>
Prepaid Tuition and Fees	\$	255,970
Other - Advances		<u>1,455,181</u>
Totals	\$	<u><u>1,711,151</u></u>

NOTE 6: LONG-TERM LIABILITIES

The Institution's Long-Term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
<b>Leases</b>					
Lease Obligations	\$ 106,047,893	\$ 0	\$ 2,135,133	\$ 103,912,760	\$ 2,304,578
<b>Other Liabilities</b>					
Compensated Absences	1,916,425	1,299,588	1,313,748	1,902,265	885,882
Net Pension Liability	<u>22,509,556</u>	<u>6,120,103</u>		<u>28,629,659</u>	
Total	<u>24,425,981</u>	<u>7,419,691</u>	<u>1,313,748</u>	<u>30,531,924</u>	<u>885,882</u>
Total Long-Term Obligations	<u>\$ 130,473,874</u>	<u>\$ 7,419,691</u>	<u>\$ 3,448,881</u>	<u>\$ 134,444,684</u>	<u>\$ 3,190,460</u>

NOTE 7: NET POSITION

Changes in Net Position for the year ended June 30, 2016 are as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016
Net Investment in Capital Assets	\$ 41,492,503	\$ 3,967,730	\$ 6,796,432	\$ 38,663,801
Restricted Net Position	7,528,968	26,118,752	25,845,960	7,801,760
Unrestricted Net Position	<u>-22,319,277</u>	<u>70,546,166</u>	<u>69,453,249</u>	<u>-21,226,360</u>
Total Net Position	<u>\$ 26,702,194</u>	<u>\$ 100,632,648</u>	<u>\$ 102,095,641</u>	<u>\$ 25,239,201</u>

SAVANNAH STATE UNIVERSITY  
SELECTED FINANCIAL NOTES  
JUNE 30, 2016

EXHIBIT "D"

The amounts within each category at June 30, 2016 were as follows:

<u>Net Position</u>	
Net Investment in Capital Assets	\$ <u>38,663,801</u>
Restricted for	
Nonexpendable	
Permanent Endowment	<u>6,658,534</u>
Expendable	
Federal Loans	916,201
Institutional Loans	23,876
Term Endowments	<u>203,149</u>
Total Expendable	<u>1,143,226</u>
Unrestricted	
R & R Reserve	8,842,504
Reserve for Encumbrances	338,010
Reserve for Inventory	58,877
Other Unrestricted	-31,309,790
USO Reserve Fund	<u>844,039</u>
Total Unrestricted	<u>-21,226,360</u>
Total Net Position	<u>\$ <u>25,239,201</u></u>

**NOTE 8: ENDOWMENTS**

**Donor Restricted Endowments:**

Investments of the Institution's endowment funds are pooled, unless required to be separately invested by the donor. For Institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the Institution to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$3,824 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institution's endowment funds is predicated on the total return concept. Annual payouts from the Institution'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 Institution uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

**NOTE 9: LEASE OBLIGATIONS**

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

**CAPITAL LEASES**

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2016 and 2041. Expenditures for fiscal year 2016 were \$9,018,497 of which \$5,137,226 represented interest and \$1,746,138 represented executory costs. Total principal paid on capital leases was \$2,135,133 for the fiscal year ended June 30, 2016. 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, 2016:

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2016 (=)	Outstanding Balances per lease schedules at June 30, 2016
Leased Buildings and Building Improvements	\$ 110,333,789	\$ 24,553,642	\$ 85,780,147	\$ 103,912,760

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, 2016.

CAPITAL LEASE SCHEDULE

Description	Lessor (1)	Original Principal	Lease Term	Begin Date	End Date	Outstanding Principal Balance at June 30, 2016
Tiger Point	SSU Community Development I, LLC	\$ 6,160,184	30	July 2011	June 2041	\$ 5,901,210
Tiger Place	SSU Community Development I, LLC	8,182,797	30	July 2011	June 2041	7,831,352
Camillia Hubert	SSU Community Development I, LLC	4,821,572	30	July 2011	June 2041	4,622,224
University Commons	SSU Foundation Real Estate Ventures, LLC	24,586,826	25	August 2009	June 2033	23,455,532
University Village	SSU Foundation Real Estate Ventures, LLC	29,229,205	25	February 2008	June 2032	26,062,753
Sports Complex	SSU Community Development I, LLC	4,233,414	30	August 2012	June 2041	4,147,172
Student Building C	SSU Community Development I, LLC	15,369,019	30	December 2012	June 2041	15,129,817
Student Center/Stadium	USG Real Estate Foundation III, LLC	17,750,772	30	July 2011	June 2041	16,762,700
<b>Total Leases</b>		<b>\$ 110,333,789</b>				<b>\$ 103,912,760</b>

(1) These capital leases are related party transactions with affiliated organizations.

**OPERATING LEASES**

The Institution did not have any non-cancellable operating leases having remaining terms of more than one year at year end. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures totaled \$551,597 for the fiscal year ended June 30, 2016.

**FUTURE COMMITMENTS**

Future commitments for capital leases (which here and on the Statement of Net Position includes other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

		Real Property and Equipment
		<u>Capital Leases</u>
Year Ending June 30:		
2017	\$	8,002,663
2018		8,138,695
2019		8,269,665
2020		8,403,554
2021		8,537,542
2022 - 2026		44,882,237
2027 - 2031		48,975,351
2032 - 2036		30,670,961
2037 - 2041		<u>21,415,385</u>
Total minimum lease payments		187,296,053
Less: Interest		67,652,314
Less: Executory costs (if paid)		<u>15,730,979</u>
Principal Outstanding	\$	<u><u>103,912,760</u></u>

**NOTE 10: RETIREMENT PLANS**

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

The significant retirement plans that the Institution 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.

A. Defined Benefit Plans:

**Teachers Retirement System of Georgia**

**Summary of Significant Accounting Policies**

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

**General Information about the Teachers Retirement System**

**Plan description:** All teachers of the Institution 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% of their annual pay during fiscal year 2016. The Institution's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual Institution payroll. Institution contributions to TRS were \$3,002,678 for the year ended June 30, 2016.

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

At June 30, 2016, the Institution reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30 2015, the Institution's proportion was 0.188056%, which was an increase of 0.009885% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institution recognized pension expense of \$2,173,449. At June 30, 2016, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 251,813
Net difference between projected and actual earnings on pension plan investments		2,414,942
Changes in proportion and differences between Institution contributions and proportionate share of contributions	\$ 1,360,324	50,358
Institution contributions subsequent to the measurement date	<u>3,002,678</u>	
Total	<u>\$ 4,363,002</u>	<u>\$ 2,717,113</u>

Savannah State University contributions subsequent to the measurement date of \$3,002,678 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, 2017.

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
2017	\$ -872,282
2018	\$ -872,282
2019	\$ -872,284
2020	\$ 1,207,273
2021	\$ 52,786

**Actuarial assumptions:** The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

**Sensitivity of the Institution's proportionate share of the net pension liability to changes in the discount rate:** The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Institution'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%)
Institution's proportionate share of the net pension liability	\$ 49,197,904	\$ 28,629,659	\$ 11,676,531

**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).

B. Defined Contribution Plan:

**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 four 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**

The Institution 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 2016, 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.

The Institution and the covered employees made the required contributions of \$896,137 (9.24%) and \$581,908 (6%), respectively.

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



NOTE 12: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to four different healthcare plan options. For the USG's Plan Year 2016, the following healthcare plan options were available:

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

The Institution, 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 USG share the risk of loss for claims associated with the self-insured plans; including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree healthcare exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

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 USG, fully insured HMO healthcare plan are also offered to System employees.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institution, 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 the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Institution (an organizational unit 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, 2016.

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 Institution pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 256 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institution recognized as incurred \$602,201 of expenditures, which was net of \$338,708 of participant contributions.

SUPPLEMENTARY INFORMATION

SAVANNAH STATE UNIVERSITY  
 BALANCE SHEET (STATUTORY BASIS)  
 BUDGET FUND  
 JUNE 30, 2016

SCHEDULE "1"

ASSETS

Investments	\$	8,275.65
Accounts Receivable		
Federal Financial Assistance		1,907,467.27
Other		3,948,412.24
Prepaid Expenditures		182,897.27
Inventories		<u>72,702.79</u>
Total Assets	\$	<u><u>6,119,755.22</u></u>

LIABILITIES AND FUND EQUITY

Liabilities		
Cash Overdraft	\$	2,207,403.35
Accrued Payroll		141,195.10
Encumbrances Payable		154,865.62
Accounts Payable		394,125.29
Deferred Revenue		1,711,150.51
Other Liabilities		<u>7,619.92</u>
Total Liabilities		<u>4,616,359.79</u>
Fund Balances		
Reserved		
Department Sales and Services		119,683.32
Indirect Cost Recoveries		118,072.14
Technology Fees		232,196.61
Uncollectible Accounts Receivable		719,998.57
Tuition Carry-Over		181,373.57
Inventories		58,877.03
Unreserved		
Surplus		<u>73,194.19</u>
Total Fund Balances		<u>1,503,395.43</u>
Total Liabilities and Fund Balances	\$	<u><u>6,119,755.22</u></u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

SAVANNAH STATE UNIVERSITY  
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)  
BUDGET FUND  
YEAR ENDED JUNE 30, 2016

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 22,026,701.00	\$ 22,026,701.00	\$ 0.00
Other Funds	61,423,416.00	54,574,477.71	-6,848,938.29
Total Revenues	83,450,117.00	76,601,178.71	-6,848,938.29
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	502,264.62	502,264.62
Total Funds Available	83,450,117.00	77,103,443.33	-6,346,673.67
<u>EXPENDITURES</u>			
Teaching	83,450,117.00	76,402,515.60	7,047,601.40
Excess of Funds Available over Expenditures	\$ 0.00	700,927.73	\$ 700,927.73
<u>FUND BALANCE JULY 1</u>			
Reserved		1,301,777.19	
Unreserved		11,912.77	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		2,955.13	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2015		-11,912.77	
Prior Year Reserved Fund Balance Included in Funds Available		-502,264.62	
<u>FUND BALANCE JUNE 30</u>		\$ 1,503,395.43	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services	\$	119,683.32	
Indirect Cost Recoveries		118,072.14	
Technology Fees		232,196.61	
Uncollectible Accounts Receivable		719,998.57	
Tuition Carry-Over		181,373.57	
Inventories		58,877.03	
Total Reserved		1,430,201.24	
Unreserved			
Surplus		73,194.19	
Total Fund Balance	\$	1,503,395.43	

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, 2016

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
Teaching				
State Appropriation				
State General Funds	\$ 22,026,701.00	\$ 22,026,701.00	\$ 22,026,701.00	\$ 22,026,701.00
Other Funds	<u>60,209,962.00</u>	<u>60,209,962.00</u>	<u>61,423,416.00</u>	<u>54,574,477.71</u>
Total Teaching	<u>\$ 82,236,663.00</u>	<u>\$ 82,236,663.00</u>	<u>\$ 83,450,117.00</u>	<u>\$ 76,601,178.71</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	\$ 22,026,701.00	\$ 0.00	\$ 22,026,701.00	\$ 0.00	\$ 0.00
<u>502,264.62</u>	<u>0.00</u>	<u>55,076,742.33</u>	<u>-6,346,673.67</u>	<u>54,375,814.60</u>	<u>7,047,601.40</u>	<u>700,927.73</u>
<u>\$ 502,264.62</u>	<u>\$ 0.00</u>	<u>\$ 77,103,443.33</u>	<u>\$ -6,346,673.67</u>	<u>\$ 76,402,515.60</u>	<u>\$ 7,047,601.40</u>	<u>\$ 700,927.73</u>



SAVANNAH STATE UNIVERSITY  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
(STATUTORY BASIS) BUDGET FUND  
YEAR ENDED JUNE 30, 2016

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2015 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 0.00	\$ 0.00	\$ 0.00	\$ 206.53
Other Funds	<u>514,177.39</u>	<u>-502,264.62</u>	<u>-11,912.77</u>	<u>2,748.60</u>
Total Teaching	514,177.39	-502,264.62	-11,912.77	2,955.13
Prior Year Reserves				
Not Available for Expenditure				
Inventories	63,204.93	0.00	0.00	0.00
Uncollectible Accounts Receivable	<u>736,307.64</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 Budget Unit Totals	 <u>\$ 1,313,689.96</u>	 <u>\$ -502,264.62</u>	 <u>\$ -11,912.77</u>	 <u>\$ 2,955.13</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 2016 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
\$ 4,327.90	\$ 0.00	\$ 0.00	\$ 4,534.43	\$ 0.00	\$ 4,534.43	\$ 4,534.43
<u>16,309.07</u>	<u>0.00</u>	<u>700,927.73</u>	<u>719,985.40</u>	<u>651,325.64</u>	<u>68,659.76</u>	<u>719,985.40</u>
20,636.97	0.00	700,927.73	724,519.83	651,325.64	73,194.19	724,519.83
-4,327.90	0.00	0.00	58,877.03	58,877.03	0.00	58,877.03
<u>-16,309.07</u>	<u>0.00</u>	<u>0.00</u>	<u>719,998.57</u>	<u>719,998.57</u>	<u>0.00</u>	<u>719,998.57</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 700,927.73</u>	<u>\$ 1,503,395.43</u>	<u>\$ 1,430,201.24</u>	<u>\$ 73,194.19</u>	<u>\$ 1,503,395.43</u>

Summary of Ending Fund Balance

Reserved			
Department Sales and Services	\$ 119,683.32		\$ 119,683.32
Indirect Cost Recoveries	118,072.14		118,072.14
Technology Fees	232,196.61		232,196.61
Uncollectible Accounts Receivable	719,998.57		719,998.57
Tuition Carry-Over	181,373.57		181,373.57
Inventories	58,877.03		58,877.03
Unreserved			
Surplus		\$ 73,194.19	\$ 73,194.19
Total Ending Fund Balance - June 30	\$ 1,430,201.24	\$ 73,194.19	\$ 1,503,395.43

SECTION II

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SAVANNAH STATE UNIVERSITY  
ENTITY'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Control Category: 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 Cost: \$25,417.78

Finding Status: Unresolved

The office of financial aid review reports to insure timely and accurate calculations are performed. The withdrawal forms have been moved from the Vice President of Academic Affairs Office to the Registrar's office to reduce the processing time for withdrawal forms. The Banner System is being utilized to ensure accurate computation of the amount to be returned and the reports are reviewed by the Financial Aid Director. The funds are returned by the Comptroller's Office upon notification by the Financial Aid Director whom ensures the time line for return of Title IV funds is complied with.

FA 2015-001 Undocumented Cost of Attendance Budgets

Control Category: Eligibility  
Internal Control Impact: Significant Deficiency  
Compliance Impact: Nonmaterial Noncompliance  
Federal Award Agency: U.S. Department of Education  
CFDA Number and Title: 84.SFA – Student Financial Assistance Cluster

Finding Status: Partially Resolved

The corrective action plan for this finding has been fully implemented. We are awaiting confirmation from the U.S. Department of Education that this finding has been resolved.

FA 2015-002 Satisfactory Academic Progress Determinations

Control Category: 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

Finding Status: Partially Resolved

The corrective action plan for this finding has been fully implemented. We are awaiting confirmation from the U.S. Department of Education that this finding has been resolved.

SAVANNAH STATE UNIVERSITY  
ENTITY'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-003 Return of Title IV Funds

Control Category:	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 Cost:	\$26,489.85

Finding Status: Unresolved

The office of financial aid review reports to insure timely and accurate calculations are performed. The withdrawal forms have been moved from the Vice President of Academic Affairs Office to the Registrar's office to reduce the processing time for withdrawal forms. The Banner System is being utilized to ensure accurate computation of the amount to be returned and the reports are reviewed by the Financial Aid Director. The funds are returned by the Comptroller's Office upon notification by the Financial Aid Director whom ensures the time line for return of Title IV funds is complied with.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 2016-001** Return of Title IV Funds

<b>Compliance Requirement:</b>	Special Tests and Provisions
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>Federal Awarding Agency:</b>	U. S. Department of Education
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	84.SFA Student Financial Assistance Cluster
<b>Questioned Cost:</b>	\$34,025.94
<b>Repeat of Prior Year Finding:</b>	FA-548-14-02 FA 2015-003

**Description:**

The Institution did not properly perform the refund process to 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, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Criteria:**

The provisions included in 34 CFR 668.22 provides requirements over the treatment of Title IV funds when a student withdraws. The Institution 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 or loan assistance, or both that the student earned is less than the amount of Title IV grant or loan assistance 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 Institution 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 Institution's method of identifying withdrawn students was not detecting all students that unofficially withdrew from the Institution.

A sample of sixteen students that received Federal financial assistance for the Fall 2015 and Spring 2016 semesters and withdrew, officially or unofficially, from the Institution 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. Six instances were noted where the Institution 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 Institution for four students in the amount of \$321.35 and an underpayment for two students totaling \$6,458.26.
2. Five instances were noted where the Institution did not properly allocate the Return of Title IV funds between amounts owed by the Institution and owed by the student.
3. Six refunds were not processed within the required timeframe of forty-five (45) days.
4. Six instances were noted where the student received a refund on their account after they officially withdrew.

In addition, a review of the listing of all students who received all failing and/or incomplete grades for which no return of Title IV funds were made was completed to ascertain whether the students sufficiently completed the enrollment period. Refunds were not calculated for fifteen of the forty students sampled with all failing and/or incomplete grades and did not complete 60% of the enrollment period. The Institution did not return \$27,889.03 of unearned Title IV funds.

**Questioned Cost:**

Questioned cost of \$34,025.94, with likely questioned costs of \$215,448.85 were identified for refunds calculated incorrectly.



SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**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 Institution's Student Financial Aid (SFA) policy does not address unofficial withdrawal determination for students enrolled in e-courses.

**Effect or Potential Effect:**

The Institution 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 Institution did not apply SFA refunds to the Title IV Federal programs within the required timeframe.

**Recommendation:**

The Institution should develop and implement procedures to ensure that student financial aid refunds are properly calculated and that 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 Institution 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. Savannah State University has procedures to ensure that student financial aid refunds are properly calculated and that unearned funds are correctly returned to the appropriate accounts. A key issue is untimely enrollment reporting. The control challenge for reporting is the actual determination of changes to a student enrollment status. Savannah State University will increase efforts to coordinate changes in student status between the offices of the registrar, academic affairs, and financial aid.

Savannah State University will consistently apply control processes to the existing procedures to avoid instances where a lack of monitoring or oversight in reviewing unofficial withdrawals can result in refunds not being calculated correctly for these students. The control process will assure the same enrollment status change date is included in all processes involved and that the transactions will take place in required timeframe of forty-five (45) days.

The Savannah State University Student Financial Aid (SFA) policy will be modified to address unofficial withdrawal determination for students enrolled in e-courses.

Contact Person: Kenneth Wilson, Director of Financial Aid  
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SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

**Due Diligence for Student Accounts Receivable**

Observation:

The Institution did not follow established policies and procedures over the Due Diligence process for student receivables. The University System of Georgia Business Procedures Manual Section 10.1.1 'Student Receivables' states that "Due process should be followed in the collection of student receivables. Students should be given written notice about the nature and the amount of the outstanding obligation." Section 10.4 'Uncollectible Amounts' states that "Amounts not collected through routine follow-up should be referred to collection agencies for further collection effort." Section 10.7.4 'Collection Efforts' outlines the actions required for collection of student receivables. The Institution should send billing letters at 30 and 60 days after the payment due date, a dunning letter at 90 days after the due date, and the account should be referred to a collection agency at 180 days after the due date.

Our review of twenty-three student accounts identified that fifteen accounts did not have appropriate billing letters sent at the 30/60/90 day requirements. The billing process was not started on four accounts which were each more than three years old. In addition, no accounts have been referred to a collection agency.

Recommendation:

The Institution should perform the due diligence procedures outlined in the University System of Georgia Business Procedures Manual.

Views of Responsible Officials and Corrective Action Plans:

Savannah State University is currently reviewing the issues noted and making improvements in the areas noted.

**Employee Travel Advances**

Observation:

The Institution did not follow established policies and procedures for employee travel advances. The University System of Georgia Business Procedures Manual Section 4.8.1 states that "The Office of Planning and Budget OPB Policy Memorandum No. 1 states that travel advances are available only to an employee whose current annual salary is \$50,000 or less when traveling within the United States." Section 10.1.2 of the manual states that "Normally, an employee should not have more than one advance outstanding at a time. Each advance should be accounted for before another advance is granted. USG travel regulations require that all outstanding advances be settled within ten (10) days after completion of the trip."

Our review of twenty-four employees with outstanding travel advances identified four instances of travel advances being given to employees with salaries greater than the \$50,000 threshold. Thirteen employees had multiple travel advances outstanding at a given time. Twenty employees had not completed a travel reconciliation within the 10 day period allowed.

Recommendation:

The Institution should implement policies and procedures to ensure that employee travel advances are issued and reconciliations are completed in accordance with the University System of Georgia Business Procedures Manual.

SAVANNAH STATE UNIVERSITY  
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS  
YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Views of Responsible Officials and Corrective Action Plans:

Savannah State University is currently reviewing the issues noted and making improvements in the areas noted.

**Scholarship Allowances Calculation**

Observation:

The Institution's subsidiary ledger did not adequately support the scholarship allowance reported on the general ledger. The NACUBO Special Action Report 2000-05 states that "Institutions may use a rational, documented allocation methodology, such as the one presented in this section, to determine that portion of applicable financial aid support to be applied as scholarship allowances and student aid expenses. ...To use the alternate approach, institutions would calculate the following categories and their amounts (amounts should be available from the institution's administrative systems)". The Institution was unable to reconcile the 'total non-money institutional waivers applied to students' accounts' used in its scholarship allowances calculation to the report generated from the BANNER student account system.

Recommendation:

The Institution should review the amounts used in its scholarship allowance calculation and ensure that the amounts can be reconciled to the Institution's financial records.

Views of Responsible Officials and Corrective Action Plans:

Savannah State University is currently reviewing the issues noted and making improvements in the areas noted.

**Inadequate Encumbrance Payable Documentation**

Observation:

The Institution failed to adequately document the Encumbrance Payable recorded on the Budgetary Report. The listing provided by the Institution totaled \$350,225.17 and the Encumbrance Payable account balance on the Budgetary Report was reported as \$195,359.55 resulting in understatement of \$154,865.62 for expenditures and liabilities. Our testing did reveal the listing included invalid prior year encumbrances which were small balances that should be surplus. The Institution is using the "like and kind" concept and not specific description of items to move remaining balances from prior years to current year purchase orders. The University System of Georgia Business Procedures Manual states "Purchase orders issued and encumbered in a previous fiscal year that are paid for an amount less than the encumbered amount will contribute the difference between original encumbrance amount and payment amount to "surplus". Purchase orders issued and encumbered in a previous fiscal year that are cancelled in a subsequent fiscal year may be reissued to a different vendor for similar goods and services (like and kind) in an amount not to exceed the original purchase order amount."

Recommendation:

The Institution should implement and monitor policies and procedures to ensure that an accurate Encumbrance Payable listing supports the amount reported on the Budgetary Report, encumbrances (purchase orders) are cancelled when complete and any remaining balance on purchase orders are used for similar goods and services.

SAVANNAH STATE UNIVERSITY  
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YEAR ENDED JUNE 30, 2016

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Views of Responsible Officials and Corrective Action Plans:

Savannah State University is currently reviewing the issues noted and making improvements in the areas noted.

**Untimely Enrollment Reporting**

Observation:

Our testing of sixteen students who withdrew during the Fall 2015 and Spring 2016 semesters revealed that withdrawn enrollment statuses for three of the students were not reported to the National Student Loan Data System (NSLDS) within 60 days. Additionally, seven students' withdrawn enrollment statuses were never reported to NSLDS.

Recommendation:

The Institution should implement policies and procedures to ensure that all changes in student enrollment statuses are reported and in a timely manner to the NSLDS.

Views of Responsible Officials and Corrective Action Plans:

Savannah State University is currently reviewing the issues noted and making improvements in the areas noted.